Ethnic H&BA: $2.3 billion and growing

Continued from page 71

- Eckerd is taking a closer look at the category and is said to be slashing prices on ethnic items in highly competitive markets.
- Revco is continually broadening its ethnic mix and now carries over 250 sku's.

What all this activity revolves around is a burgeoning black population that is projected to grow nearly 75% faster than the general population. By 1993, blacks will comprise 12.8% of the U.S. population.

Because blacks spend as much as five times more on hair care items than the general population on a per capita basis, stores with as little as 5% black traffic can generate 15% of H&BA sales in the ethnic section, according to Business Trends Analysis.

Drug chains have always led the pack when it comes to the ethnic category. In 1984, for example, drug stores generated 44% of 25 H&BA category sales, but a 54% share of ethnic hair care sales, according to A. C. Nielsen. In contrast, food stores generated 47% of general H&BA sales, but only 28% of ethnic hair care sales.

But, there are signs that mass merchandisers and food stores, in particular, are starting to realize the category's potential.

Diana Warren of Judith Lynn notes that more food stores are beginning to put in ethnic H&BA sections. And Lafayette Jones, executive director of AHBAI, says that drug stores were in the category early, but "there is tremendous opportunity in other retail outlets."

While retail outlets battle for the ethnic H&BA dollar, a number of trends are emerging.

Hair color

In 1984, hair care products generated 41%, or $920 million, of all ethnic H&BA sales, according to Business Trends Analysts. However, the one subsegment primed for growth is the $50 million hair color business, including permanent, semipermanent and highlighting formulations.

Rocky Piccirillo, director of operations for Beauty Enterprises, an ethnic products distributor in Hartford, Conn., says that "1986 will be the year of hair color." While only 3% of his company's total dollar sales are now related to hair color, he says that the segment is "growing."

Indeed, as the trend toward a more relaxed and natural look continues, hair colors, especially, semipermanent formulations, will become more popular.

Notes Kent Humphreys of Jack's service, a supplier of ethnic H&BA in Oklahoma City: "Temporary hair colors are an exciting category." But he also stresses that permanent hair colors are very strong. For example, sales of Carson's Dark & Lovely hair color have more than doubled in the last 12 months, says Humphreys.

At least four major manufacturers, including Clairol and Soft Sheen, are launching, or plan to launch, hair color products.

Clairol's Born Beautiful division has already unveiled a semipermanent hair color targeted for black and hispanic women with relaxed or permed hair. And Soft Sheen is reportedly gearing up to launch a temporary hair color for the ethnic market in retail markets. Other manufacturers are reportedly following suit. Several manufacturers, including Soft Sheen, Worlds of Curls, and Lustrasilk; have also recently introduced professional hair colors.

In other areas of the hair care arena, buyers and distributors note that Soft Sheen's Snap Back has been an unqualified success. Notes Humphreys: "Snap Back is the product of the year. Sales are increasing 15% to 20% every month."

The AHBAI recommends seven ways for retailers to reap more dollars from ethnic H&BA:
1. Wider distribution.
2. Carry broader, deeper lines; expand shelf space.
3. Feature ethnic H&BA more frequently in ads.
4. Offer better discounts.
5. Promote the entire category more aggressively and consistently.
6. Use profit-generating end-aisle displays.
7. Improve in-store presentation with better housekeeping.

The trend toward the "light look" has also increased sales of gloss and sheen sprays.

And at Drug King in Oakland, Calif., a store with 30-ft. ethnic section, store manager Joe Martinez, has spotted an interesting trend. He says that activators are selling to anyone with perms. Although it would be difficult to track, many observers agree with Martinez: products for the ethnic market indeed sell outside of that market.

Men's market

Black men, of course, have always used oil sheens, conditioners, hair sprays and gels. For example, as much as 70% of Atlanta-based M&M Products' sales are generated by products specifically formulated for men.

However, the emergence of the wave and the more natural look have catapulted men's product sales. Says Mike O'Brien of Harris Beauty Supply, an ethnic H&BA supplier in Atlanta: "There has been a big increase in sales in the pomade category."

Pat Marr, account manager for Hanes DSD/Sav-A-Stop, one of the nation's largest nonfoods distributors, agrees. "The curl activator market is turning like a big battleship toward the pomades and greases."

Many manufacturers have also recently introduced hair care lines for men. For example, Johnson Products unveiled Ultra Style for men in 1984. This year the company signed Chicago Bulls' superstar and Rookie-of-the-Year Michael Jordan to a multiyear endorsement contract.

According to Johnson, the hefty contract is the largest for a celebrity endorsement in the ethnic H&BA category. "It's substantial, lucrative and on par with his other contracts," says George E. Johnson, founder and president of Johnson Products. Jordon, the dynamo who led the U.S. basketball team to an Olympic gold medal, has signed a seven-year $6 million contract with the Bulls.

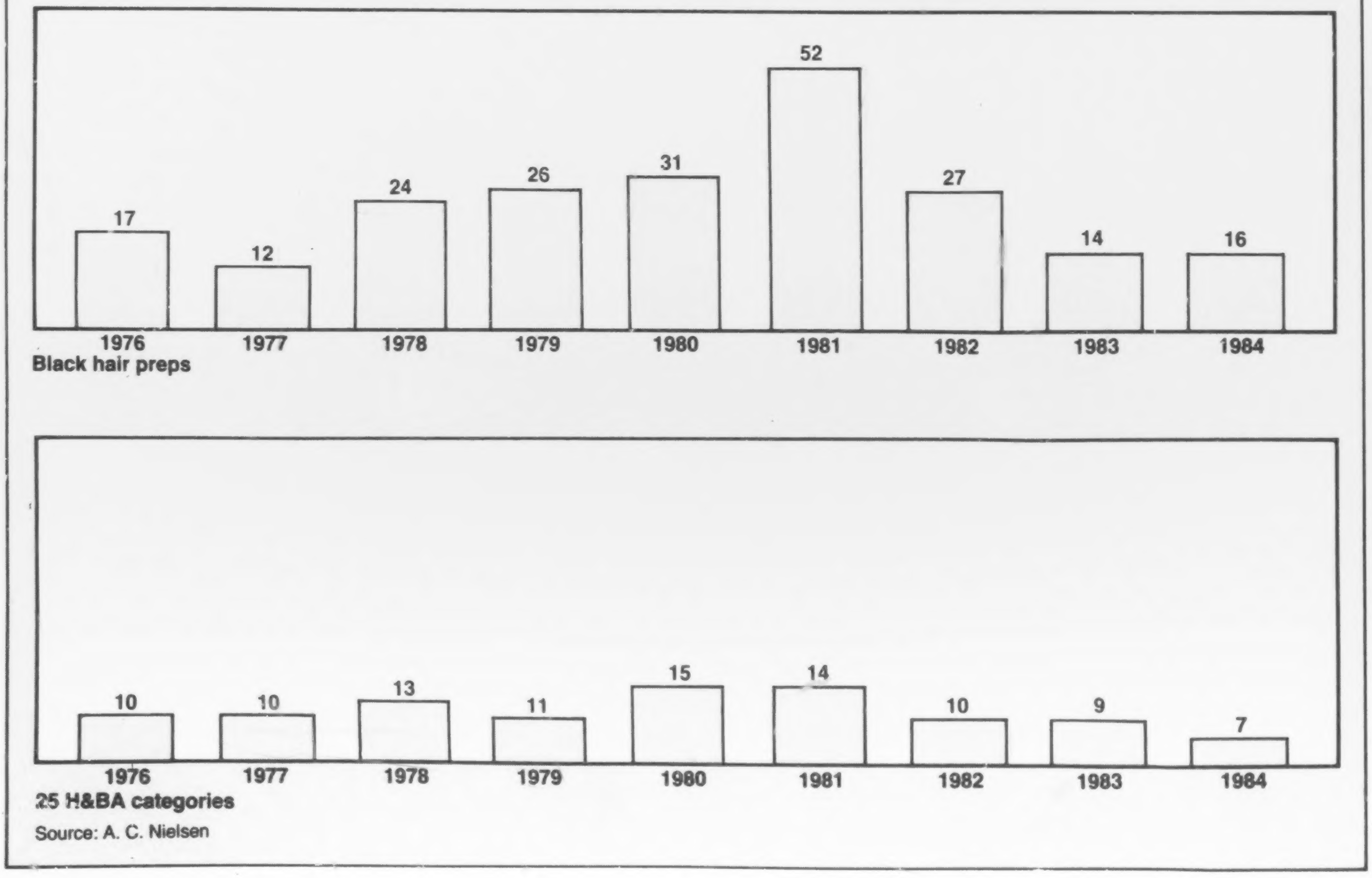
Another company which has recently introduced a hair product for men is Pro-Line. The Dallas-based ethnic H&BA producer is launching a no-rod wave and curl kit called Players. According to the company, "market research proves that men prefer no-lye by a margin of over 5 to 1."

Says Comer J. Cottrell, president and chairman of Pro-Line: "Players was designed with the fashion-conscious active black male in mind."

Johnson Publishing Co. is also tapping into the fashion market for black men with the first of Johnson's black-oriented magazines targeted specifically to men.

Called *Ebony Man*, the magazine, which will debut in November, is aimed at the more than 13 million black men looking for a "commonsense, fundamental approach to fashion, grooming and fitness," says John H. Johnson, publisher. Alfred Fornay, the magazine's executive editor, adds: "Simply put, *EM* is the fashion, grooming, fitness and successful living magazine for contemporary black men."

With all the attention black men are receiving, retailers should look forward to increased sales of those products targeted specifically for this group.


Sales growth comparisons for 3 classes of trade combined
% change

Source: A. C. Nielsen

Gentle-Treatment
No-Lye Conditioning creme relaxer
CREME of NA
All relaxers relax. This one repairs.
REVLON

Hispanic products: big potential, slow sales

There may be as many as 17.6 million Hispanics regularly passing through the nation's drug stores, but retailers are not experiencing a sales explosion of products aimed at this substantial population segment.

Retailers including Walgreens, Eckerd, K mart and Standard have tested Hispanic departments. Although these tests are on-going, sales to date have been only modest.

"It is growing, slowly, but surely," reports Diana Warren of Judith Lynn Sales Inc., one of the first suppliers of Hispanic items.

The mediocre success to date does not mean a boom is never going to come, suggests Joe Potocki of the Promotion Marketing Association of America. Like the ethnic category 10 years ago, the Hispanic market will take cultivating, he says.

Several issues have kept the Hispanic market locked up, say experts. One problem is the language barrier.

Marketers are currently battling over whether Hispanics prefer Spanish labeling on packages or not. While many believe Hispanics feel more comfortable finding products with Spanish labels, Lionel Sosa, president and creative director of Sosa & Associates, insists Hispanics prefer to feel part of the American family. To that end, he says, advertising and packaging should be in English.

Yet, Strategy Research finds that the primary language spoken by Hispanics in this country is Spanish. In fact, most of the current rack jobber programs include products wrapped in Spanish or bilingual packaging.

Many manufacturers are following suit. Jason Products, for example, has a new line of natural shampoos with Spanish labeling. The "Primavera Flora" line is aimed at what Jason calls a category that has been neglected.

Another hitch in efforts to perk up the Hispanic market is the lack of a major advertising medium comparable to the black market's *Ebony* and *Essence*, the bibles of ethnic marketing. A relatively new magazine, *Latina*, however, may be the answer. Many marketers such as Sophisticolor with its new Paradise Cosmetics line, will use this new publication in hopes of wooing Hispanic shoppers.

A final hurdle has been retailers' and marketers' lack of knowledge about the Hispanic customer. Although most know about the promising demographics, many have been confused by the market. Retailers originally thought they had to market to three distinct groups: Mexicans, Puerto Ricans and Cubans. In 1984, a report by Yankelovich, Skelly & White Inc. proved that theory wrong. The study concluded that marketers should consider all Hispanics "in aggregate as a consumer segment."

If retailers do finally find the key to unlock the market, the sales potential is astonishing. The Hispanic population has increased 440% since 1950%. In the last five years, the Hispanic population zoomed up another 20%. And the Commerce Bureau of the Census puts the total of Hispanics in 1990 at 21 million.

It is also a market gaining in income and educational level. The percentage of college graduates has doubled since 1981, and the annual family income is up. Thirty-six per cent currently earn $20,000 or more, and Strategy Research estimates overall median income in 1985 will hit $19,900—that's compared with only $14,712 five years ago.

Strategy Research finds Hispanic shoppers dedicated to chain environments. "It is another method for them to feel they fit into society," explains one expert on these shoppers. This suggests drug chains will become favorite shopping spots.

What is also interesting about Hispanic shoppers is that males participate in shopping more often than their Anglo counterparts.

Like black shoppers, Hispanics become very loyal to an outlet. Also resembling the black population is Hispanics' high consumption of health & beauty aids. For instance, over 76% of Hispanic men use after shave compared to 62% of non-Hispanics.

According to Warren, the products gaining the most acceptance in chains are soaps, ointments and shampoos. She adds that Judith Lynn executives constantly travel to Mexico to discover other items favored by Hispanics.

A buyer for a large Southern chain adds he has seen increasing sales to Hispanics of vanilla used as a fragrance. "Now that is a product I'd never expect to move. That's the difference between blacks and Hispanics. Blacks need certain products for their special skin and hair. Hispanics just like certain items they are familiar with or those from their homeland."

Hispanic usage of health & beauty aids outpaces Non-Hispanic

	Hispanic	Non-Hispanic
After shave lotion	76.2%	61.9%
Antacids	79.9	68.9
Arthritis remedies	34.5	23.7
Bath/bar soap	99.7	99.4
Cold remedies	80.5	48.0
Cough syrup	75.9	52.3
Cream rinse/conditioner	77.2	50.1
Hand lotion	85.3	76.8
Laxatives	45.9	33.0
Ointments/rubs	63.6	54.4

Source: Strategy Research Corporation

Adds Royce Cates of Sophisticolor, "Hispanic women don't need a particular type of cosmetics, but all Hispanics fall into the winter classification. That's why our colors suit them."

Chris Hayman, merchandiser for Standard Drug, agrees that Hispanic women prefer certain shades. He says Wet'n Wild is proving to be popular.

Indeed, cosmetics may become a prime vehicle to generate greater sales to Hispanics. Says Teri Zubizarreta of Zubi Advertising in Miami, "Hispanic women are fashion conscious—marketers could sell a lot more lipstick here if they only tried."

Vendors pitch cosmetics to swelling Asian market

The press release from a new ethnic cosmetics line, Paradise Cosmetics of Beverly Hills, touts the line as perfect for not only blacks and Hispanics, but Orientals as well. When Gazelle International debuts, next year, its line will be pitched at "women of color," including Asians.

It is no surprise marketers are targeting the swelling Asian market. According to the latest available U.S. Department of Commerce Bureau of Census figures, there are 3.7 million people from Asia now living in America.

Although these figures cannot be compared with incomplete earlier Census data, the population is indeed growing, according to Karen Mills of the Census Bureau.

The bulk of this group, 58.5%, live in western states. In fact, 35.2% reside in California. Hawaii, New York, New Jersey, Texas, and Illinois are also home to a significant portion of this population.

Will Asians be the next ethnic group retailers and manufacturers attempt to lure? Many marketers already see it as a viable option.

Like Hispanics and blacks, the Asian group likes to shop well-known chain stores. But Asians also enjoy finding products they are familiar with from their homes. Shiseido Cosmetics, for instance, got its entry into the U.S. market based on its overwhelming success in Japan. Japanese-American women started looking for the products here. It has since become a best seller among all women.

Royce Cates of Sophisticolor expects his Paradise Cosmetics line to appeal to Oriental women because of the colors available in the pegged offering. Sophisticolor's color expert Vicki Barneck, discovered all Asian women have "cool" skin tones meaning they fall into the winter classification.

Cates believes Asian women will see the Paradise colors suit their natural skin tones. "Color analysis is just going to keep growing. You see Joan Collins—she is always in her colors and looks great. Linda Evans doesn't know her proper colors and goes wrong."

While colors aimed at the Asian market may work, several retailers are still not sure the market requires any other special attention.

But with the population exploding, retailers say they will stay on top of it and be ready if it becomes the next trend.

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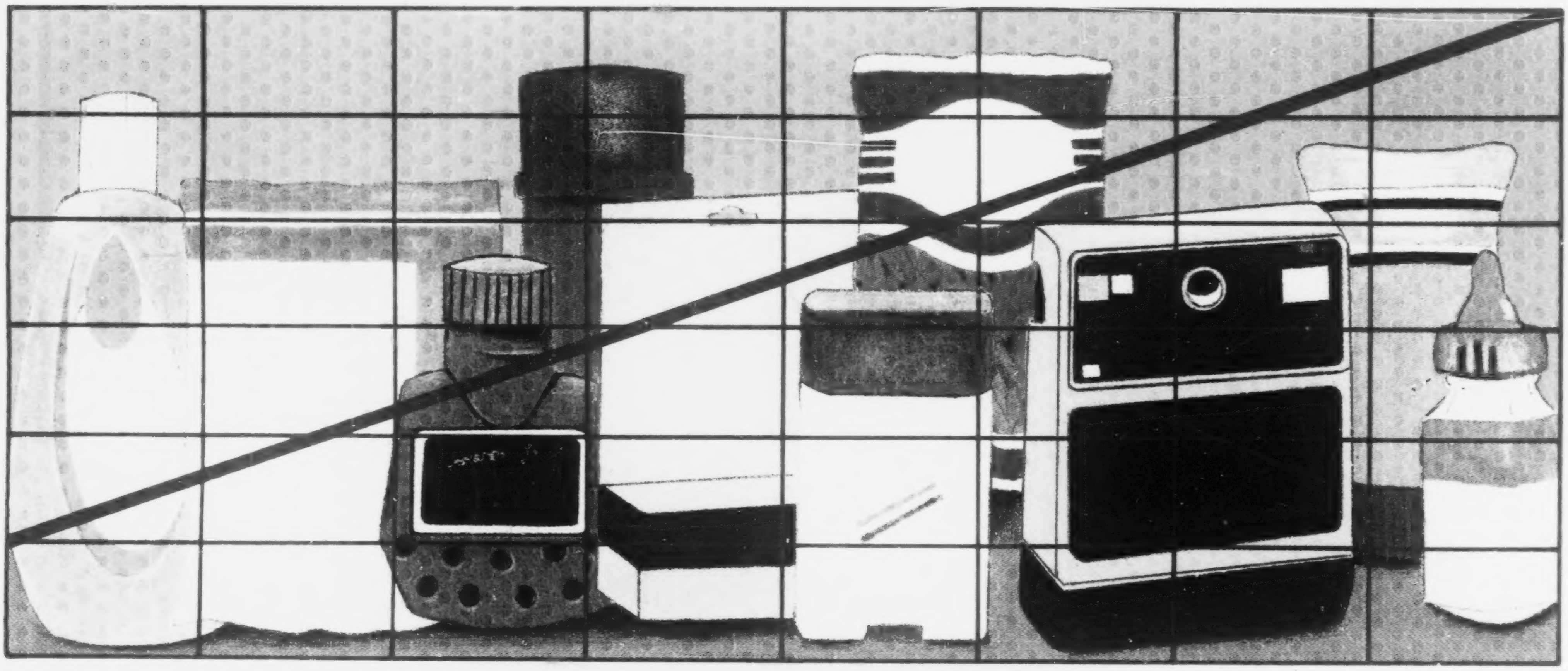
DRUG STORE NEWS®

1985
NIELSEN REVIEW



OF RETAIL
DRUG STORE
TRENDS

To Our Friends In the Retail Drug Trade

Once again it is our pleasure to recognize our friendships within the Drug Industry with this presentation of key trends in drug store retailing and merchandising of health & beauty aids. This annual publication is one way we find to express our thanks to you, the retailers who are such an important ingredient in the development of these industry statistics.

This year finds us well along in the implementation of a plan that will strengthen our support of drug retailers through our new expanded Trade Services Department. These marketing, merchandising and research specialists are at the service of your industry as well as our cooperating stores and organizations. We think this enhanced Nielsen commitment will contribute to your industry's success in the future.

We hope all of our readers will find the 1985 review both informative and interesting. We welcome your questions and comments. Just give our Trade Services group a call.

We would also like to thank the staff at *Drug Store News* for their advice in assembling this review and including it in their Oct. 14, 1985, issue.

Cordially,

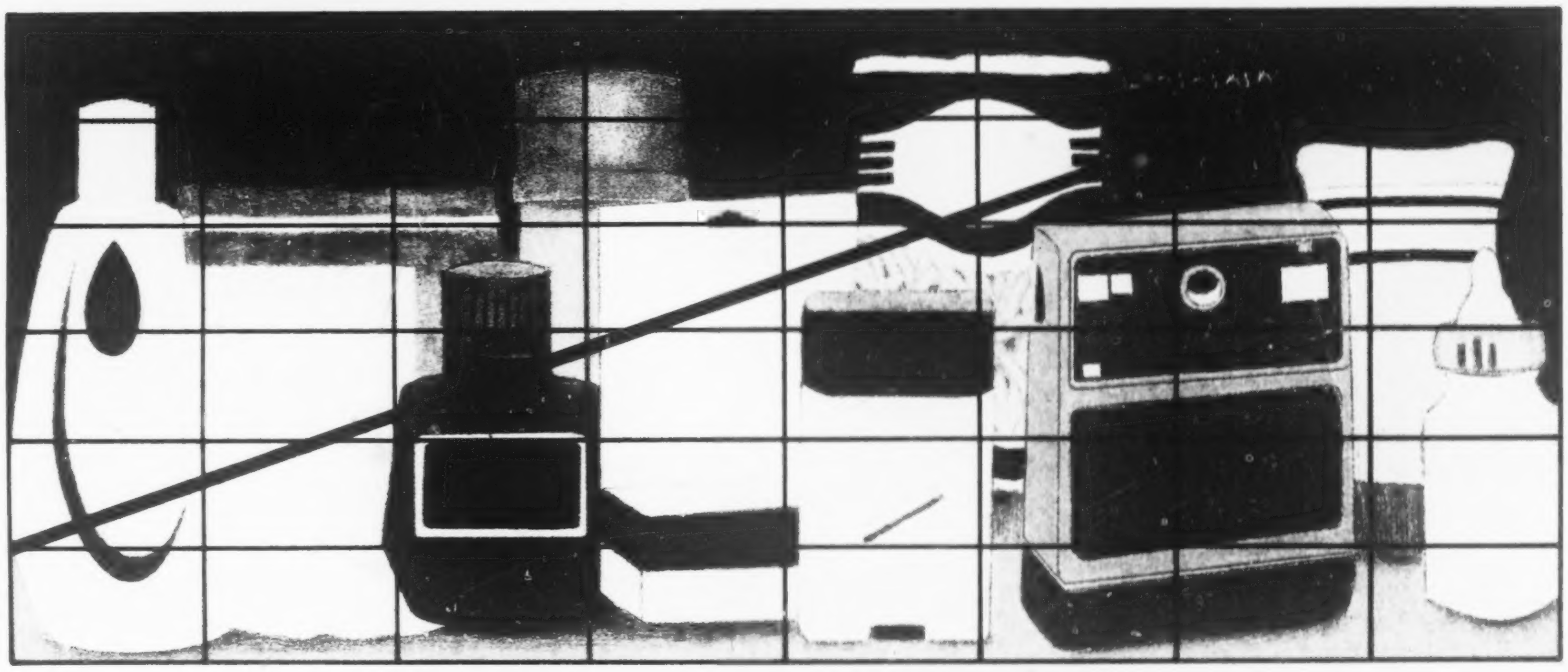
Donald R. McCurry

Donald R. McCurry
Executive Vice President
Managing Director
Marketing Research Group, U.S.A.

Nielsen Marketing Research

INTRODUCTION

1985 NIELSEN REVIEW



OF RETAIL DRUG STORE TRENDS

1985 Nielsen Review of Retail Drug Store Trends

Retail drug store sales increased by a strong 9% in 1984 and have been increasing at a similar rate during the first half of 1985. The information compiled by the A. C. Nielsen Company and presented in this publication also shows:

- Total U.S. retail sales "real" growth is slowing as measurements are taken against the strong 1983-84 recovery period.
- Consumer price increases are holding at a steady 4% rate of gain, but medical care costs are still increasing faster than average.
- Drug chains continue to report the strongest growth and should account for close to 60% of 1985 drug store sales.
- HBA sales have been slowing in all three outlets during the first half of 1985.

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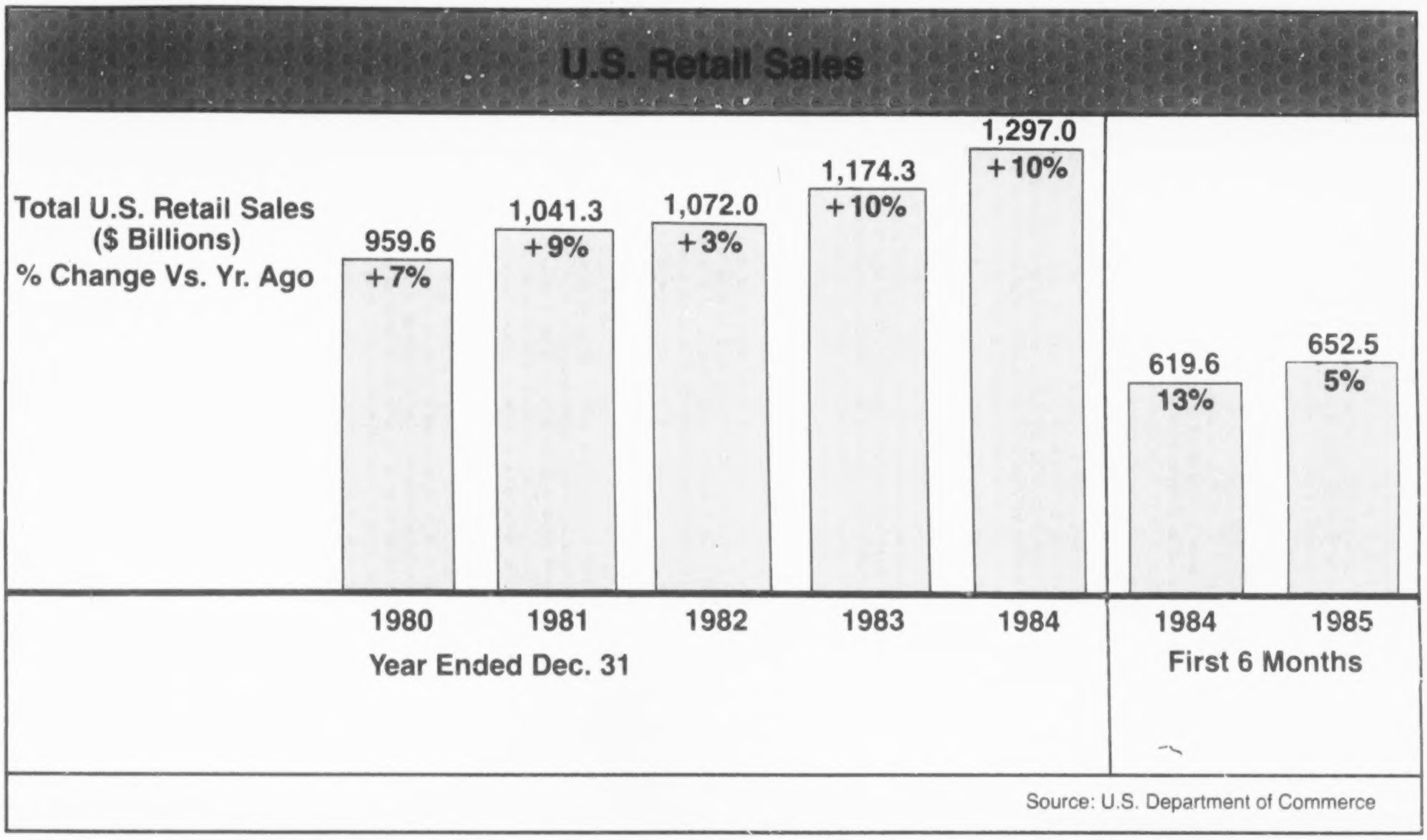
Chapter I: The Economic Environment

Total U.S. Retail Sales climbed to $1.3 trillion dollars in 1984, a 10% gain over the previous year. Retail sales rate of gain during the first six months of 1985 slowed to 5% as we began to measure against the strong 1983-84 recovery period.

The rate of "real" growth has also slowed to approximately 1%. Price increases, while stable at 4%, accounted for a larger portion of sales increases in the first half of 1985 than during 1984.



Source: U.S. Department of Commerce

Division of U.S. Retail Sales

								Dollar Sales % Chg. vs. yr. ago First six months 1985 vs. 1984
Total U.S. Retail Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Drug & Proprietary	3.2	3.2	3.4	3.4	3.4	3.4	3.5	+ 7%
Food Stores	22.9	22.6	22.9	21.7	20.8	21.3	20.9	+ 4%
Eating & Drinking	9.4	9.4	9.7	9.8	9.6	9.7	9.7	+ 6%
Gasoline Stations	9.8	10.0	9.1	8.4	7.8	8.1	7.6	− 1%
Clothing	5.0	5.1	5.2	5.1	5.2	4.8	4.8	+ 6%
Automotive	17.1	17.5	18.0	19.8	21.4	22.7	23.7	+10%
Furniture & Appliances	4.6	4.5	4.3	4.7	4.9	4.6	4.9	+11%
Hardware & Lumber	5.3	5.0	4.7	5.1	5.3	5.3	5.2	+ 4%
All Others	22.7	22.7	22.7	22.0	21.6	20.1	19.7	+ 3%
	1980	1981	1982	1983	1984	1984	1985	

Source: U.S. Department of Commerce

Drug stores continue to account for an increasing portion of total U.S. retail sales. By 1984, drug and proprietary stores accounted for 3.4% of sales and are currently generating 3.5% of sales.

Durable goods sales, particularly automotive (+10%) and furniture and appliances (+11%) continue to support overall U.S. retail sales during the first half of 1985. Along with drug store sales, these are the areas of greatest retail sales growth.

The general rate of price inflation has been held to only 4% during both 1984 and the first six months of 1985. This means real growth in U.S. retail sales has been near 1% for the first part of 1985, slowing from year ago rates.

The largest current price increases continue to come from medical care segment (+6%), particularly prescription drugs (+10%) and medical services. Over-the-counter drug prices increased 5% during the first half of 1985.

During 1984, consumers enjoyed a second year of large gains in income as real disposable income (adjusted for inflation) rose by 6%. First half of 1985 rates are slowing, up 3%, as we measure against the 1983-84 recovery. Even so, the 3% real growth rate remains a big improvement over the very low rates found in the early 1980's.

Consumer Price Index

Base Year 1967 = 100

	1980	1981	1982	1983	1984	1985	% Change 1985 vs. 1984 First 6 mos.
% Change Vs. Yr. Ago	+13%	+10%	+ 6%	+ 3%	+ 4%		
Total All Items	247	272	289	298	311	319	4%
Medical Care	266	295	329	357	380	396	6
Prescription Drugs	155	173	193	214	234	252	10
Over-The-Counter Drugs	188	211	234	252	267	278	5
Physicians Services	269	299	327	352	377	393	6
Dental Services	240	263	283	303	327	344	7
Hospital Room	419	481	557	620	671	703	7
Personal Care	206	232	250	261	271	279	4
Food-At-Home	252	270	279	282	293	297	2
Food-Away-From-Home	267	291	307	320	333	343	4
Housing	263	294	315	323	337	346	4
Clothing	178	187	192	196	200	204	3
Transportation	250	280	292	298	312	318	3
Entertainment	205	221	236	246	256	263	4

Annual Average, Year Ended Dec. 31

First 6 Months

Source: U.S. Department of Labor.

Real Disposable Income Trends

	1980	1981	1982	1983	1984	1984	1985
Disposable Income % Change vs. Yr. Ago	+11%	+12%	+ 6%	+ 7%	+10%	+11%	+ 7%
Actual Dollars ($Trillions)	$1.84	$2.03	$2.16	$2.32	$2.56	$2.52	$2.68
Cost of Living Index % Change vs. Yr. Ago	+13%	+10%	+ 6%	+ 3%	+ 4%	+ 4%	+ 4%
Index (1967=100)	247	272	289	298	311	308	319
Real Disposable Income % Change vs. Yr. Ago	− 2%	+ 1%	0%	+ 4%	+ 6%	+ 7%	+ 3%
Constant Dollars ($Trillions)	$0.74	$0.75	$0.75	$0.78	$0.83	$0.82	$0.84

Year Ended Dec. 31

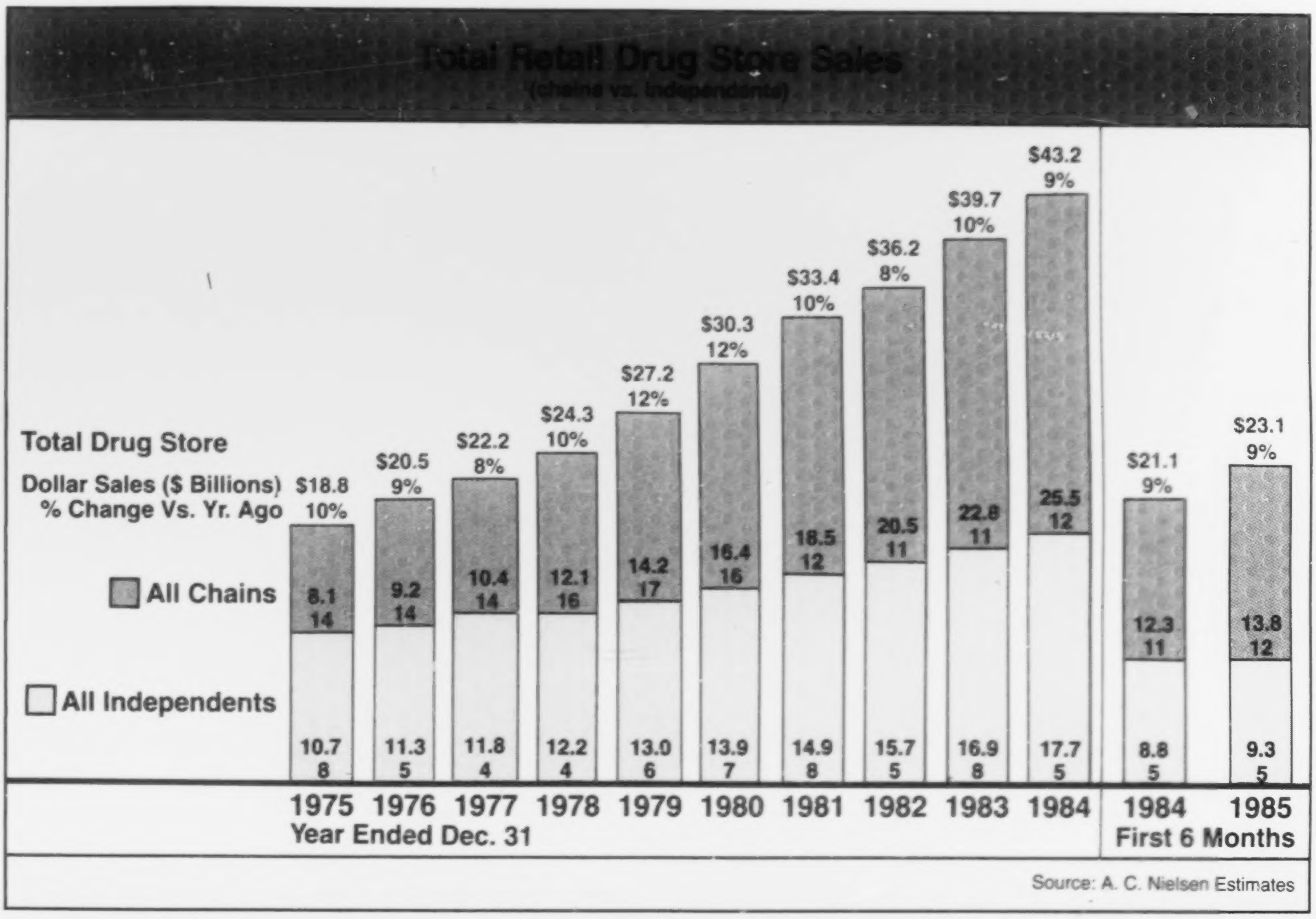
First 6 Months Annualized Rate

Source: U.S. Department of Commerce.

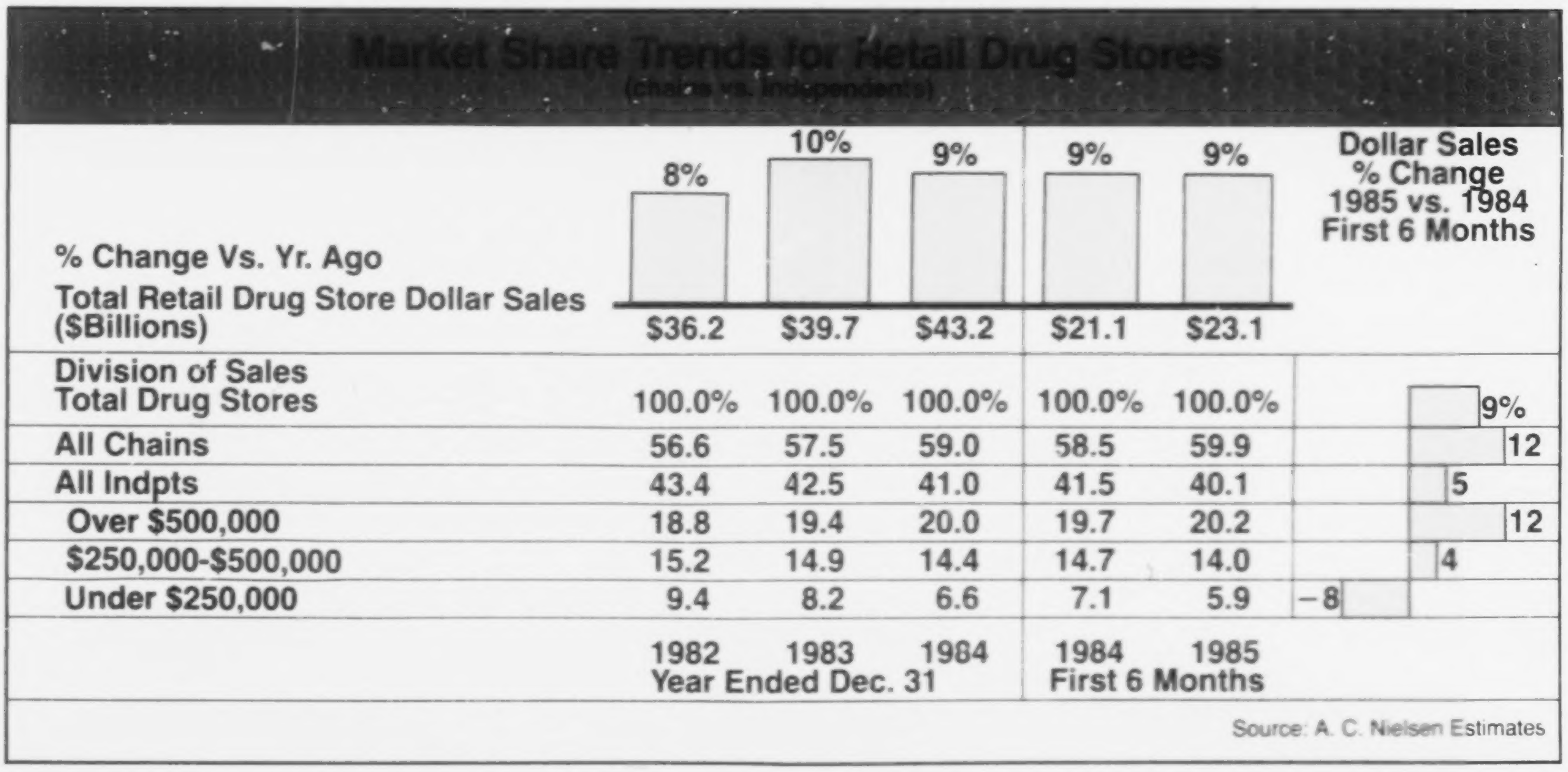
Chapter II: Retail Drug Store Sales

Retail drug store sales increased by a strong 9% in 1984 to $43.2 billion. This growth rate has kept up through the first half of 1985.

Chain drug outlets (those companies with four or more stores under the same ownership) continue to lead the way with sales increases of 12% for both 1984 and the first part of 1985. Independents have held steady at a 5% rate.



Source: A. C. Nielsen Estimates



	1982	1983	1984	1984 First 6 Months	1985 First 6 Months	Dollar Sales % Change 1985 vs. 1984 First 6 Months
% Change Vs. Yr. Ago	8%	10%	9%	9%	9%	
Total Retail Drug Store Dollar Sales ($Billions)	$36.2	$39.7	$43.2	$21.1	$23.1	
Division of Sales Total Drug Stores	100.0%	100.0%	100.0%	100.0%	100.0%	9%
All Chains	56.6	57.5	59.0	58.5	59.9	12
All Indpts	43.4	42.5	41.0	41.5	40.1	5
Over $500,000	18.8	19.4	20.0	19.7	20.2	12
$250,000-$500,000	15.2	14.9	14.4	14.7	14.0	4
Under $250,000	9.4	8.2	6.6	7.1	5.9	−8

Year Ended Dec. 31

Source: A. C. Nielsen Estimates

Drug chains now command 59% of total drug store sales and if current trends hold they will capture close to 60% of all sales in 1985.

Large independent operators (with annual volumes of $500,000 and above) are currently keeping pace with chain growth. They now account for 20.2% of sales. Smaller independent operators continue to lose sales share to their larger independent and chain competitors.

Of the 24 Nielsen retail marketing area, drug store sales in Baltimore/Washington (+13%) Florida/South Georgia (+14%) and in Seattle/Portland (+12%) increased significantly above the U.S. average of 9% during 1984. The Delta (+4%), Minneapolis/Wisconsin (+6%) and Pittsburg (+6%) areas all had below average gains.

Total drug store sales per capita are higher than average in the northwestern areas of the country along with southern California, Florida/South Georgia, Chicago, Baltimore/Washington and Albany/Buffalo.

Drug store sales per capita are lower than average in the Midwest and Mountain state areas of the country.

Total Retail Drug Store Sales By Nielsen Retail Marketing Area

	1984 Total Drug Store Dollar Sales ($Billions)[1]	% Change vs. year ago	Market Importance To Total U.S.	1984 Population (Millions)[2]	Importance To Total U.S.	Drug Sales Per Capita (Total U.S. = 100)
Total U.S.	43.2	9%	100.0%	234.0	100.0%	100
New England	2.2	11	5.1	13.3	5.3	97
New York City	2.1	7	4.8	15.3	6.5	75
Albany/Buffalo	1.5	7	3.5	7.3	3.1	112
Philadelphia	1.7	10	3.9	10.0	4.3	91
Baltimore/Wash.	1.8	13	4.1	7.8	3.3	122
Pittsburg	1.0	6	2.3	6.5	2.8	82
Cleveland	1.2	7	2.7	6.5	2.8	98
Detroit/Grand Rapids	1.9	9	4.4	9.6	4.1	107
Indianapolis/ Cincinnati/Lexington	2.0	9	4.6	10.7	4.6	101
Chicago	1.8	8	4.2	7.8	3.3	128
St. Louis/Peoria	1.0	10	2.3	5.9	2.5	91
KansasCity/Omaha/ Iowa	1.5	7	3.5	9.8	4.2	84
Minneapolis/Wisconsin	1.6	6	3.8	10.4	4.5	85
Denver/Mountains	0.8	8	1.9	5.2	2.2	86
Virginia/Carolinas	2.1	10	4.7	12.4	5.3	89
Florida/S. Georgia	2.4	14	5.7	11.9	5.1	111
Georgia/Alabama	2.3	9	5.3	13.7	5.9	89
Delta	1.9	4	4.4	11.2	4.8	91
Albuquerque/ San Antonio	1.3	7	2.9	10.3	4.4	67
Dallas/Houston	2.0	10	4.7	10.3	4.4	106
Southern California	3.4	8	7.9	16.0	6.8	116
Boise/Salt Lake City/ Phoenix	1.0	8	2.3	5.4	2.3	101
Northern California	3.0	7	7.1	10.4	4.4	159
Seattle/Portland	1.7	12	3.9	7.3	3.1	125

[1] Year Ended Dec. 31 [2] As of Jan. 1, 1985

Source: A. C. Nielsen Estimates

permanents
hair color

Chapter III: H&BA Sales Trends

Total dollar sales of the 59 categories that comprise the Nielsen HBA Index climbed to $22.9 billion in 1984, up 8% over a year ago. Of that amount 40.2% ($9.2 billion) represented sales through drug stores. This accounts for 21.3% of total drug store sales.

Food stores now account for 44.0% of Nielsen HBA Index sales, the same share as in 1983. Mass merchandisers now account for 15.8%, up 0.7 point.

The Nielsen HBA Index is currently composed of 59 selected over-the-counter toiletry, cosmetic, remedial and paper goods categories. No prescription items are included.

Nielsen HBA Index: Dollar Volume and Share by Retail Outlets

Dollar Sales % Change vs. Year Ago	+15%	+15%	+10%	+10%	+8%
Three Outlet Dollar Sales ($Millions)	$15,288	$17,609	$19,310	$21,246	$22,899
Drug Stores	6,843	7,757	8,223	8,685	9,208
Food Stores	6,297	7,395	8,327	9,360	10,080
Mass Merchandisers	2,148	2,457	2,759	3,201	3,611
Division of Sales Drug Stores	44.8%	44.0%	42.6%	40.9%	40.2%
Food Stores	41.2	42.0	43.1	44.0	44.0
Mass Merchandisers	14.0	14.0	14.3	15.1	15.8
	1980	1981	1982	1983	1984
	Year Ended Dec. 31				

Source: Nielsen Retail Index

Nielsen HBA Index Sales and Average Price Trends Drug, Food and Mass Merchandise Stores

(% change vs. year ago)

Total Nielsen HBA Index Dollar Sales Trends 3 Outlets Combined	15%	15%	10%	10%	8%	10%	4%
Drug Outlets	15	13	6	6	6	8	2
Food Outlets	17	17	13	12	8	9	6
Mass Merchandiser	12	14	12	16	13	18	4
Weighted Unit Sales Trends 3 Outlets Combined	5	5	2	5	4	6	0
Drug Outlets	5	5	− 1	1	3	5	−1
Food Outlets	5	6	4	7	2	4	1
Mass Merchandiser	2	5	4	12	9	16	1
Weighted Apparent Average Price Trends 3 Outlets Combined	10	10	8	5	4	4	4
Drug Outlets	9	9	8	5	3	3	3
Food Outlets	11	11	9	5	5	5	6
Mass Merchandiser	11	10	9	4	4	3	4
	1980	1981	1982	1983	1984	1984	1985
	Year Ended Dec. 31					First 6 months	

Source: A. C. Nielsen Retail Index

Nielsen HBA Index unit sales rose by 4% in 1984 in the three outlets combined. The strongest sales trends continue to occur in mass merchandise stores.

However, both dollar and unit growth has slowed in the first half of 1985. Unit sales growth is at a standstill. Dollar sales are up 4%, all of it appearing to be price increases.

HBA real sales growth improved during 1984 as drug store unit sales volume for the Nielsen HBA Index averaged a 3% increase. However, sales during the first half of 1985 have slowed considerably with unit sales declining by 1% and dollar sales up only a meager 2%. Part of the slowdown can be attributed to measuring against a very strong first half of 1984.

Color cosmetics (+5%) external medicines (+1%) and paper goods (+3%) are bucking the declining trends with continued sales growth.

Apparent price increases, up only 3% in 1984 and the first half of 1985, are at the lowest rates in over five years.

Nielsen HBA Index Categories: Sales and Average Price Trends in Drug Stores

(% Change vs. Year ago)

Dollar Sales Trends							
Total Nielsen Health & Beauty Aid Index	15%	13%	6%	6%	6%	8%	2%
Total Toiletries/Personal Care	16	14	6	4	6	8	2
Men's Products	17	12	5	7	6	9	1
Skin Care	17	14	3	2	5	9	1
Hair Care	18	18	7	3	4	6	0
Oral Hygiene	11	12	6	4	8	10	5
Color Cosmetics	16	10	7	4	9	7	5
Other Toiletries	16	14	5	6	7	11	1
Total Remedials	12	11	5	8	4	5	2
Cough/Cold/Flu/Sinus	14	12	12	16	6	6	4
Analgesics/Digestive/Other	13	11	3	5	3	5	1
External Medicines	8	10	7	3	3	5	2
Total Paper Goods	16	25	11	4	14	13	7
Total Selected Sundries	13	12	6	4	10	16	−1
Weighted Unit Sales Trends							
Total Nielsen Health & Beauty Aid Index	5	5	−1	1	3	5	−1
Total Toiletries/Personal Care	6	5	−1	0	4	6	−1
Men's Products	4	0	−3	2	3	7	−2
Skin Care	6	5	−4	−2	2	5	−2
Hair Care	8	8	1	−1	3	7	−1
Oral Hygiene	2	3	−1	2	6	11	−2
Color Cosmetics	8	3	0	0	7	5	5
Other Toiletries	6	3	−1	0	3	7	−3
Total Remedials	4	3	−2	1	−1	0	−2
Cold/Cough/Flu/Sinus	6	2	0	8	1	2	−2
Analgesics/Digestive/Other	4	2	−4	0	−2	−1	−2
External Medicines	−1	11	1	−2	0	2	1
Total Paper Goods	4	12	4	−1	8	9	3
Total Selected Sundries	6	11	0	2	9	16	0
Weighted Average Apparent Price Trends							
Total Nielsen Health & Beauty Aid Index	9	9	8	5	3	3	3
Total Toiletries/Personal Care	9	9	7	5	2	2	3
Men's Products	13	11	9	6	3	2	3
Skin Care	10	9	7	4	3	2	3
Hair Care	10	11	7	4	1	2	1
Oral Hygiene	9	9	7	2	2	0	8
Color Cosmetics	7	7	7	5	1	2	0
Other Toiletries	9	10	7	6	4	4	5
Total Remedials	9	8	9	7	5	5	4
Cold/Cough/Flu/Sinus	7	10	12	9	5	5	6
Analgesics/Digestive/Other	10	9	8	6	5	5	4
External Medicines	9	4	6	6	3	3	2
Total Paper Goods	12	12	6	4	5	5	4
Total Selected Sundries	8	3	7	3	1	0	−1
	1980	1981	1982	1983	1984	1984	1985
	Year Ended Dec. 31					First 6 Months	

Source: Nielsen Retail Index

Nielsen HBA Index Sales Trends: Category Growth Within Drug Stores

(First 6 months 1985 % Change Vs. Yr. Ago)

3 Categories Showing Major Unit Sales Increases (=10% or Greater Increase)

Early Pregnancy Tests
Ethnic Hair Preps
Nail Color

18 Categories Showing Unit Sales Increases (Up to +10% Increase)

Sleeping Tablets
Lip Make-Up
Face Make-Up
Diarrhea Remedies
Depilatories
Internal Analgesics
Mouthwash
Premoistened Towelettes
Sanitary Protection
Feminine Douches
Disposable Diapers
Foot Remedies
Bandages
Topical Hydrocortisones
Stomach Remedies/Antacid
Cotton Swabs
Eye Make-Up
Dental Floss

37 Categories Showing Unit Sales Decreases (Up to −10% Decrease)

Men's Hair Preparations
Sunglasses
Sinus Remedies
Batteries
Blades & Razors
Women's Fragrances
Dentifrice
Acne Remedies
Hemorrhoid Preparations
Pet Flea Collars
Cold Remedies
After Shampoo
Nasal Spray
Hand & Body Lotion
Face Creams & Lotions
Toothbrushes
Laxatives
Shaving Cream
External Analgesics
Vitamins
After Shave Lotion/Cologne
Chapped Lip Preps
Eye Drops & Lotions
Hair Fixatives
Deodorants
Throat Lozenges
Arthritic Remedies
Women's Contraceptives
Bath Oil
Dental Cleansers
Talc/Dusting Powder
Cough Syrup
Cough Drops
Denture Adhesives
Shampoo
Home Wave Kits
Hair Color

1 Category Showing Major Unit Sales Decreases (−10% or Greater Decrease)

Dieting Aids

Source: A. C. Nielsen Index

Of the 59 categories that currently compose the Nielsen HBA Index, a total of 21 are showing unit sales gains for the first half of 1985. Early pregnancy test kits, ethnic hair preparation and nail color are showing unit sales gains of over 10%.

Other fast moving categories in drug stores, not included in the Nielsen HBA Index, are mousse, soft contact lens solution, disposable insulin syringes and carbonated beverages.

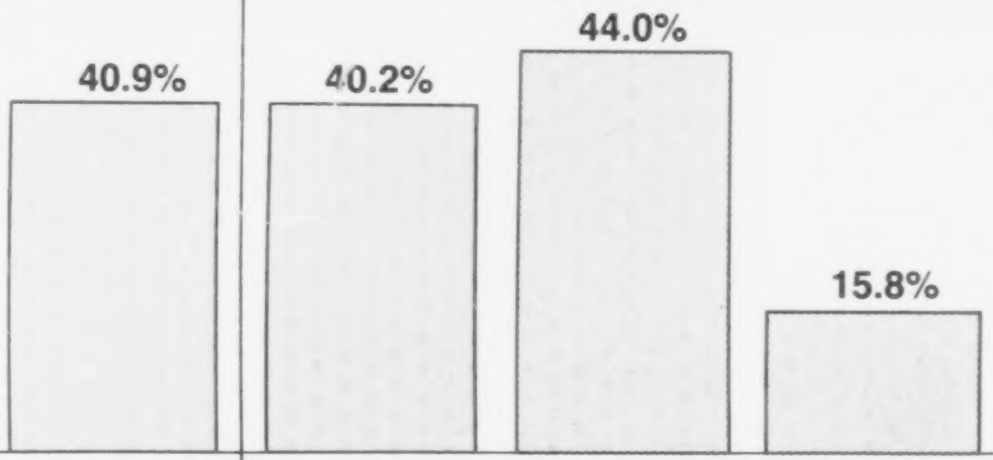
The index average is a 1% decline for unit sales in drug stores. Thirty-eight categories are showing unit sales declines for the first half of 1985.

FRAGRANCES
DISCOUNT
NAIL CARE
COSMETICS
FRAGRANCE
HAIR CARE
cover girl
may

Drug stores accounted for 40.2% of three outlet total Nielsen HBA index dollar sales in 1984. This was slightly less than in 1983. Mass merchandisers made the largest gains in share of HBA business.

Of the 30 selected categories listed, drug stores improved their share of sales in just 10. Mousse, a relatively new category on the market, does 51.8% of sales through drug outlets. Food outlets had sales share gains in 12 of the 30 categories while mass merchandisers showed gains in 23 categories during 1984.

Drug Store Share of Selected HBA Category Dollar Sales



	1983	1984		
	Drug	Drug	Grocery	Mass Merchandiser
Total Nielsen HBA Index	40.9%	40.2%	44.0%	15.8%
Selected Individual Categories				
Topical Hydrocortisone	70.3	69.4	22.3	8.3
Foot Remedies	67.0	65.6	25.3	9.1
Color Cosmetics	62.0	59.9	16.6	23.5
Face Creams & Lotions	59.0	58.4	24.8	16.8
Hair Color	58.8	58.3	19.1	22.6
After Shave Lotions/Colognes	59.4	58.0	16.8	25.2
Ethnic Hair Preparations	57.6	57.2	24.2	18.6
Sun Glasses	55.5	55.1	19.9	25.0
Home Wave Kits	54.1	54.4	19.8	25.8
Mousse	NA	51.8	34.1	14.1
Laxatives	52.7	50.8	40.1	9.1
Stomach Remedies/Antacids	50.3	49.7	41.6	28.7
Cold Remedies	49.6	48.9	42.9	8.2
Bath Oil	50.3	48.6	34.0	17.4
Hand & Body Lotions	48.2	47.3	36.7	16.0
Feminine Douches	42.5	41.6	40.8	17.6
Sinus Remedies	38.2	38.7	51.4	9.9
Men's Hair Preparations	38.1	38.6	46.0	15.4
After Shampoo	38.6	37.7	42.9	19.4
Internal Analgesics	38.0	37.2	52.9	9.9
Hair Fixatives	31.1	31.8	47.7	20.5
Shaving Cream	31.9	31.8	49.4	18.8
Blades & Razors	29.3	29.8	52.0	18.2
Mouthwash	28.3	29.0	54.3	16.7
Deodorants	28.2	28.7	52.1	19.2
Shampoo	29.0	28.5	52.5	19.0
Sanitary Protection	24.9	25.5	60.1	14.4
Dentifrice	21.2	22.3	61.9	15.8
Premoistened Towelettes	18.4	17.4	61.4	21.2
Disposable Diapers	10.4	10.9	76.9	12.2

Year Ended Dec. 31

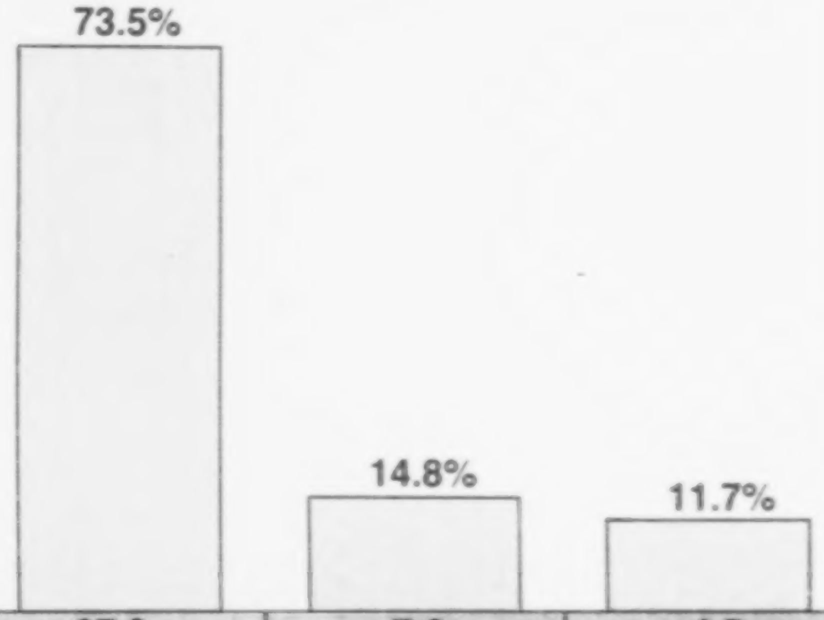
Source: Nielsen Retail Index

Division of Selected HBA Category Sales By Drug Store Type

(chains vs. independents)

1984

Total Nielsen HBA Index



Selected Individual Categories	Drug Chains	Independents Over $500,000	Independents Under $500,000
Disposable Diapers	87.9	7.6	4.5
Ethnic Hair Preparations	85.6	10.3	4.1
Mousse	85.2	11.3	3.5
After Shampoo	84.7	10.5	4.8
Hair Color	84.1	10.3	5.6
Premoistened Towelettes	84.1	10.0	5.9
Hair Fixatives	83.3	10.7	6.0
Deodorants	82.6	10.8	6.6
Dentifrice	81.8	10.8	7.4
Home Wave Kits	81.3	11.9	6.8
Shampoo	80.1	12.2	7.7
Blades & Razors	79.0	11.9	9.1
Color Cosmetics	79.0	14.1	6.9
Sanitary Protection	78.9	12.3	8.8
Men's Hair Preparations	78.9	12.9	8.2
Face Creams & Lotions	78.2	13.8	8.0
Shaving Cream	77.4	13.0	9.6
After Shave Lotions/Colognes	77.1	14.8	8.1
Feminine Douches	77.0	13.4	9.6
Mouthwash	76.9	12.4	10.7
Hand & Body Lotions	74.4	15.1	10.5
Bath Oil	74.0	15.6	10.4
Sinus Remedies	69.2	16.1	14.7
Sunglasses	67.2	17.3	15.5
Topical Hydrocortisone	66.8	17.1	16.1
Internal Analgesics	66.1	16.8	17.1
Cold Remedies	65.7	17.7	16.6
Foot Remedies	64.6	18.4	17.0
Laxatives	61.6	18.5	19.9
Stomach Remedies/Antacids	60.8	19.1	20.1
	Year Ended Dec. 31		

Source: Nielsen Drug Index

Chain drug stores accounted for 73.5% of Nielsen HBA Index dollar sales during 1984. Large drug independents had a 14.8% share while smaller independents had the rest: an 11.7% share.

For the selected individual categories listed, chains dominate sales: 87.9% of disposable diaper dollar sales volume goes through chain stores. However, there are differences, only 60.8%, of stomach remedies and antacids, for instance, were sold through chain outlets.

Comparing indexed average dollar sales per capita by Nielsen Retail Marketing area gives an indication of where consumers spend more per capita on HBA items. Based on total 1984 food/drug combined dollar sales of the categories in the Nielsen HBA Index, the following areas of the country have higher than average sales indices: Baltimore/Washington (116), Florida/South Georgia (110), Dallas/Houston (134) and the western areas of the country.

Lower than average indices are found in New York, and parts of the Mid-Atlantic, Midwest and Mountain States.

A comparison of food/drug combined HBA sales indices with drug store indices gives an indication of where drug stores have a higher or lower developed HBA consumer sales franchise.

Examples of well developed drug store franchises include New England, New York City, Baltimore/Washington, Cleveland, Chicago, Florida/South Georgia, and northern California.

Consumer Spending In Selected HBA Category Groups—By Nielsen Retail Dollar Marketing Area

(per capita sales indexed to total U.S.)

	Total Nielsen HBA Index Categories		Toiletries And Personal Care		Remedial Products	
	Food/Drug Combined	Drug	Food/Drug Combined	Drug	Food/Drug Combined	Drug
Total U.S.	100	100	100	100	100	100
New England	99	105	97	106	96	105
New York City	80	89	84	92	75	89
Albany/Buffalo	88	87	85	81	84	87
Philadelphia	99	85	100	81	99	85
Baltimore/Washington	116	141	121	139	112	141
Pittsburg	81	82	77	77	89	82
Cleveland	94	112	95	105	91	112
Detroit/Grand Rapids	83	75	78	69	83	75
Indianapolis/Cincinnati/ Lexington	89	99	87	94	93	99
Chicago	102	115	106	114	98	115
St. Louis/Peoria	76	67	70	63	84	67
Kansas City/ Omaha/Iowa	82	69	72	61	95	69
Minneapolis/Wisconsin	82	84	76	79	86	84
Denver/Mountains	87	57	82	59	91	57
Virginia/Carolinas	95	99	95	103	98	99
Florida/South Georgia	110	117	114	121	108	117
Georgia/Alabama	93	93	92	93	101	93
Delta	85	82	83	81	90	82
Alburquerque/ San Antonio	93	49	87	47	96	49
Dallas/Houston	134	121	145	132	129	121
Southern California	132	129	140	137	118	129
Boise/Salt Lake City/Phoenix	124	120	124	122	128	120
Northern California	147	183	152	187	142	183
Seattle/Portland	111	110	110	114	113	110

Year Ended Dec. 31, 1984

Source: Nielsen Retail Index

Chapter IV: H&BA-Inventory Trends

Nielsen HBA Index: Inventory Trends in Drug Stores

	1980	1981	1982	1983	1984	1984	1985
	Year Ended Dec. 31					First 6 Months	
Weighted Average Inventory Level Trends							
Total Nielsen HBA Index	1%	1%	−3%	−2%	2%	3%	3%
Total Toiletries & Personal Care	2	1	−2	0	3	3	4
Men's Products	0	−5	−7	−3	4	4	2
Skin Care	−4	1	−1	−1	−3	−3	0
Hair Care	3	3	0	3	4	4	6
Oral Hygiene	−2	2	−2	−2	5	6	5
Color Cosmetics	8	−3	2	−3	2	−1	6
Other Toiletries	0	1	−4	−1	4	5	2
Total Remedials	−3	2	−6	−4	1	1	1
Cough/Cold/Flu/Sinus	−6	−2	−4	−3	0	2	0
Analgesics/Digestive/Others	−1	1	−7	−4	1	2	0
External Medicines	−4	15	−3	−8	−4	−5	3
Total Paper Goods	3	−3	−1	1	6	5	4
Total Selected Sundries	6	2	−4	−1	4	5	7
Weighted Annual Average Inventory Stock Turns							
Total Nielsen HBA Index	4.0	4.1	4.3	4.4	4.4	4.5	4.4
Total Toiletries & Personal Care	3.7	3.9	3.9	3.9	3.9	4.0	3.8
Men's Products	3.7	3.9	4.1	4.2	4.2	4.3	4.1
Skin Care	3.8	4.0	3.9	3.9	4.1	4.3	4.2
Hair Care	4.1	4.4	4.4	4.3	4.3	4.3	4.1
Oral Hygiene	5.1	5.1	5.1	5.3	5.3	5.4	5.0
Color Cosmetics	2.1	2.2	2.2	2.2	2.3	2.3	2.3
Other Toiletries	3.6	3.7	3.8	3.8	3.8	3.9	3.7
Total Remedial	4.2	4.1	4.3	4.6	4.5	4.7	4.7
Cough/Cold/Flue/Sinus	3.7	3.9	4.1	4.5	4.5	5.1	5.0
Analgesics/Digestive/Others	4.5	4.2	4.4	4.6	4.5	4.6	4.5
External Medicines	4.1	4.1	4.1	4.4	4.6	4.5	4.5
Total Paper Goods	5.7	6.6	7.1	6.9	7.1	7.0	7.1
Total Selected Sundries	3.5	4.2	4.6	5.0	4.9	5.1	4.7
Weighted Annual Average Stock Turn Trends							
Total Nielsen HBA Index	5%	4%	4%	2%	1%	2%	−3%
Total Toiletries & Personal Care	5	4	1	0	1	3	−5
Men's Products	4	6	4	5	−1	3	−4
Skin Care	11	4	−3	0	6	9	−2
Hair Care	5	5	0	−3	0	1	−6
Oral Hygiene	4	1	2	4	1	4	−7
Color Cosmetics	0	7	−2	2	5	6	−1
Other Toiletries	6	2	4	0	0	2	−5
Total Remedials	7	2	4	6	−1	0	−2
Cold/Cough/Flu/Sinus	13	5	5	10	2	0	−2
Analgesics/Digestive/Others	5	1	3	5	−2	−1	−2
External Medicines	3	0	4	7	5	7	−1
Total Paper Goods	1	15	6	−1	4	3	1
Total Selected Sundries	0	8	10	8	−2	5	−8

Source: Nielsen Retail Index

Drug store inventory levels grew by an average of 2% during 1984, most of this was in response to increasing rates of sales as inventory stockturns remained steady.

As a result of a sales slowdown in 1985, however, or at least measuring against a strong year ago, average inventory levels are up 3% for the first half of the year and stockturns have fallen by 3%.

Average inventory levels for the three outlets combined were up 4% during 1984, in response to increasing sales rates. All outlets increased levels. Stockturn rates also increased slightly indicating that inventories were managed efficiently in spite of the build ups.

During the first half of 1985, average industry levels have increased another 2%, with stockturn rates about the same as last year.

Nielsen HBA Index Inventory Trends Food, Drug and Mass Merchandise Stores

(% change vs. year ago)

	1980	1981	1982	1983	1984	1984	1985
	Year Ended Dec. 31					First 6 months	
Total Nielsen HBA Index Weighted Average Inventory Level Trends							
3 Outlets Combined	1%	3%	−2%	3%	4%	5%	2%
Drug Outlets	1	1	−3	−2	2	3	3
Food Outlets	4	5	1	5	3	5	0
Mass Merchandiser	−2	6	−4	10	9	14	2
Weighted Annual Average Inventory Stockturns							
3 Outlets Combined	6.4	6.5	6.8	6.9	7.0	7.0	7.0
Drug Outlets	14.0	4.1	4.3	4.4	4.4	4.5	4.4
Food Outlets	10.1	10.2	10.5	10.7	10.8	10.7	10.9
Mass Merchandiser	5.8	5.7	6.2	6.3	6.4	6.3	6.4
Weighted Annual Average Stockturn Trends							
3 Outlets Combined	4%	2%	5%	2%	1%	2%	0%
Drug Outlets	5	4	4	2	1	2	−3
Food Outlets	1	2	4	2	1	1	2
Mass Merchandiser	5	−1	9	1	1	2	1

Source: A. C. Nielsen Retail Index

Typical New Product Flow Through Distribution Pipeline

(One Health Care SKU—New Line Extension)
Total U.S.—Unadjusted for Coverage

	June	Jul-Aug	Sep-Oct	Nov-Dec	Jan-Feb	Mar-Apr
SHIPMENTS/SALES (000)						
Factory Shipments	210.3	293.0	94.6	117.5	128.4	140.1
Retail Sales (Food/Drug/Mass Merchandiser)	—	26.6	75.9	103.5	128.9	145.1
Retail Sales As % of Shipments	—	9%	80%	88%	100%	104%
INVENTORY LEVELS (000)						
Total Inventory	—	250.6	317.6	312.0	288.7	365.9
Retail Inventory	—	79.7	142.9	159.4	152.4	180.3
Wholesale Inventory	—	170.8	174.7	152.6	136.3	185.6
MONTHS SUPPLY						
Total Inventory	—	18.8	8.4	6.0	4.5	5.0
Retail Inventory	—	6.0	3.8	3.1	2.4	2.5
Wholesale Inventory	—	12.8	4.6	2.9	2.1	2.6

Source: Nielsen Warehouse Inventory Service, Nielsen Retail Index

Product availability at the retail level is crucial to the success of both manufacturers and retailers: out of stocks cause both consumer dissatisfaction and the loss of retail sales.

The chart on this page illustrates how pipeline inventory levels change as a typical new item is introduced.

For the product traced here, a nonseasonal health care item, total inventory levels appear to have stabilized at the end of the sixth month. At that point, retail inventories represent approximately 50% of total retail/wholesale inventory levels.

Months supply, which is a measurement of how long it would take to deplete inventories at the current rate of retail sales, appears to be leveling off at 2.5 months at the retail level and at a similar 2.6 months at the wholesale level.

Chapter V: Space Allocation

Average Linear Shelf Space Allocations For Select HBA Categories

(chain and independent drug stores vs. food vs. mass merchandise stores)

	Drug Chains			Drug Large Independents			Food Chains Over $1Mil			Mass Merchandisers		
	1982	1983	1984	1982	1983	1984	1982	1983	1984	1982	1983	1984
Selected Toiletries & Personal Care												
After Shave Lotions & Cologne	31	31	30	28	27	27	5	6	3	19	22	21
Shaving Cream	20	19	20	12	12	11	9	9	10	19	18	21
Face Creams & Lotions	26	25	28	18	18	16	11	12	8	14	16	16
Hand&Body Lotions	31	30	33	16	15	18	7	7	12	21	22	25
Shampoo	69	69	71	35	34	35	37	40	39	65	70	73
Hair Coloring	68	64	65	35	35	35	14	15	16	50	56	53
Hair Fixatives	37	39	39	15	15	16	16	17	18	39	41	44
Hair Preparations (Inc. Ethnic)	70	71	68	34	33	29	24	28	29	56	58	57
Home Wave Kits	18	17	17	11	10	9	5	5	5	16	17	16
Mouthwash	35	32	32	13	13	13	18	19	18	33	30	32
Denture Adhesives/ Cleansers	26	26	25	17	15	14	10	10	10	16	16	16
Dentrifices	41	42	43	18	18	17	26	29	29	34	37	38
Deodorants	61	60	61	30	29	30	34	36	36	57	59	58
Selected Remedial Categories												
Laxatives	37	36	36	26	26	26	8	9	9	14	13	15
Nasal Sprays & Drops	11	11	11	8	8	8	4	4	4	5	5	5
Cough Syrups	21	19	20	16	15	16	6	6	7	8	8	9
Alkalizers	38	37	36	26	26	26	11	12	12	18	19	20
Headache Remedies	46	48	49	27	29	29	19	21	22	27	28	32
Cold & Sinus Products	35	39	44	25	27	28	13	15	15	18	19	22
Vitamins	81	83	85	55	59	57	23	29	31	35	42	47
Acne Remedies	19	18	18	15	15	15	6	6	7	9	11	10
Selected Paper Products												
Disposable Diapers	35	35	41	12	12	12	42	48	48	49	60	58
Sanitary Goods	62	60	65	30	31	31	38	41	42	60	61	71
Selected General Merchandise												
Motor Oil	15	14	14	6	5	5	16	15	13	44	47	54
Health & Diet Foods	31	24	23	14	13	9	65	72	61	14	11	16

Source: Nielsen Retail Index Survey

Today
Today
Today
Today
Today
Today
Today
Today
Today
Today

In drug chains, face creams and lotions, hand and body lotions, cold and sinus products, disposable diapers and sanitary production all gained over 3 linear feet of space on a per-store basis. Only hand and body lotions gained space in drug independent stores.

Average Dollar Sales Per Linear Foot Of Space Allocation Per Month

(chain and independent drug stores vs. food vs. mass merchandise stores)

	Drug Chains		Drug Large Independents		Food Chains Over $1 Mil		Mass Merchandisers	
	1983	1984	1983	1984	1983	1984	1983	1984
Selected Toiletries & Personal Care								
Shaving Cream	$14.34	$14.54	$ 7.07	$ 7.14	$ 31.48	$ 28.37	$22.18	$21.72
Face Creams & Lotions	42.75	38.53	24.18	19.43	46.79	41.90	52.07	52.67
Hand and Body Lotions	23.32	22.98	14.21	13.75	32.25	41.63	29.90	29.07
Shampoos	23.20	22.85	12.94	11.35	48.07	50.85	39.11	38.92
Hair Coloring	17.86	17.45	7.42	6.41	20.24	20.38	19.74	20.77
Hair Preparations	20.04	20.91	10.51	10.25	36.77	42.25	29.64	31.16
Home Wave Kits	21.85	17.19	10.93	7.86	19.17	17.15	28.12	28.47
Mouthwash	15.67	17.03	11.43	10.90	35.93	38.89	26.87	26.91
Dentifrice	22.11	23.52	12.24	12.71	62.75	62.63	47.96	48.43
Denture Adhesives/Cleaners	20.02	21.08	10.57	10.45	33.64	33.75	19.84	28.06
Deodorants	23.26	24.56	11.31	10.62	46.38	49.11	41.14	46.70
Selected Remedial Products								
Laxatives	29.76	30.39	21.68	20.27	37.91	41.32	32.63	29.14
Nasal Sprays & Drops	25.99	26.87	16.15	16.02	42.91	58.99	38.14	28.84
Alkalizers	29.36	30.37	22.73	20.92	53.97	59.55	30.20	29.62
Headache Remedies	43.96	47.98	33.63	33.75	90.92	97.03	64.33	62.76
Vitamins	25.52	23.74	20.25	18.00	30.00	28.85	29.25	26.05
Acne Remedies	20.79	19.23	10.66	8.84	32.89	28.21	19.94	21.59
Selected Paper Products								
Disposable Diapers	36.98	31.82	15.81	16.24	100.24	109.93	50.88	59.91
Sanitary Protection	23.17	23.93	13.19	12.62	52.09	52.98	33.12	32.70

End of April basis for space allocation. Year ended Dec. 31 for sales

Source: Nielsen Retail Index Survey

Headache remedies continue to generate the highest sales per linear foot in chain drug stores at $47.98 per month. This is followed closely by face creams and lotions ($38.53), disposable diapers ($31.82), laxatives ($30.39) and alkalizers ($30.37).

Headache remedies are also one of the best sellers in large independent drug outlets generating $33.75 per linear foot in 1984.

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Flintstones
Flintstones Complete

Average Annual Inventory Turnover

(chain and independent drug stores vs. food vs. mass merchandise stores)

	Drug Chains		Drug Large Independents		Food Chains Over $1 Mil		Mass Merchandisers	
	1983	1984	1983	1984	1983	1984	1983	1984
Selected Toiletries & Personal Care								
Shaving Cream	6.1	5.6	3.3	3.4	10.6	9.3	7.6	6.9
Face Creams & Lotions	4.8	4.8	2.6	2.6	6.5	6.5	5.7	5.7
Hand & Body Lotions	5.4	5.5	2.9	3.1	7.6	6.0	5.9	6.4
Shampoo	5.0	4.8	3.1	3.0	10.0	9.5	6.8	6.5
Hair Coloring	4.3	4.0	2.2	2.2	4.0	3.9	4.3	4.1
Hair Preparations	4.7	4.7	2.9	2.9	7.4	6.7	5.7	6.4
Home Wave Kits	4.9	4.6	3.1	2.9	4.6	4.7	5.9	5.8
Mouthwash	6.6	6.5	4.1	4.7	11.5	11.4	7.7	8.3
Dentifrice	6.3	6.0	4.2	4.4	13.9	11.3	8.3	7.9
Denture Adhesives/Cleansers	6.9	6.7	4.0	3.9	8.7	8.3	8.4	7.1
Deodorants	6.0	6.0	3.2	3.5	9.9	9.6	7.3	7.2
Selected Remedial Products								
Laxatives	7.2	6.7	4.6	4.4	8.3	7.9	6.3	5.7
Nasal Sprays & Drops	5.9	5.7	3.4	3.4	6.7	6.1	5.4	5.2
Alkalizers	6.8	6.3	3.7	3.7	7.8	7.6	6.1	5.4
Headache Remedies	7.1	6.4	4.1	4.0	9.9	9.0	6.5	6.0
OTC Vitamins	4.3	4.0	3.0	2.8	5.0	4.7	4.5	4.5
Acne Remedies	5.5	5.2	3.1	3.0	6.5	6.3	5.4	4.6
Selected Paper Products								
Disposable Diapers	9.9	11.2	4.4	4.8	33.5	35.0	8.8	11.1
Sanitary Protection	6.7	6.3	4.0	3.7	14.3	13.5	7.1	7.4

Year Ended Dec. 31

Source: Nielsen Retail Index

glassware
housewares
light bulbs
stationery
paint
hosiery
baby needs
health aids
dental needs
toiletries
feminine prod.
beauty aids
ShopRite
The Grocery Place
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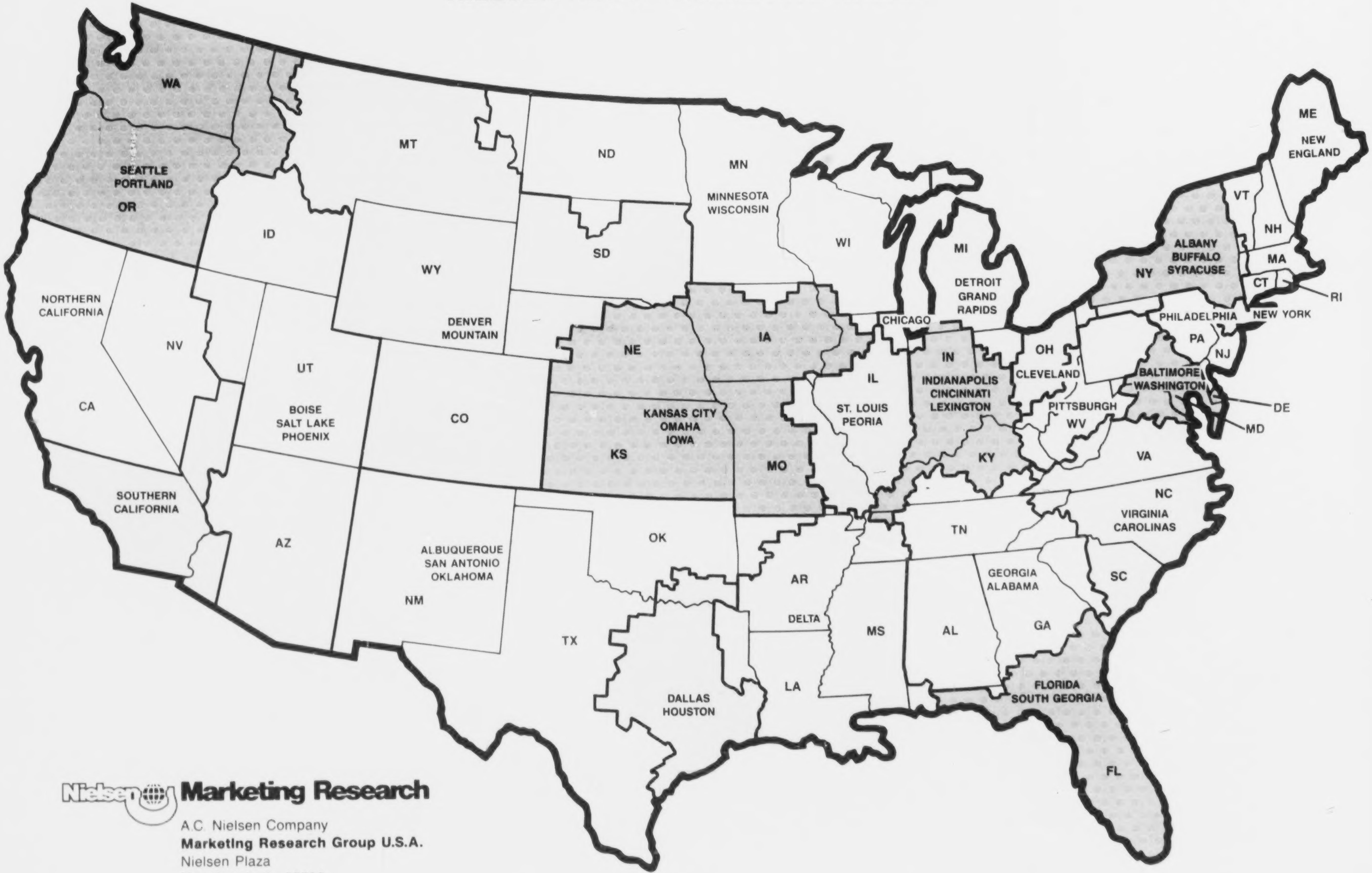
NIELSEN RETAIL MARKETING AREAS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SERVICING THE RETAIL COMMUNITY

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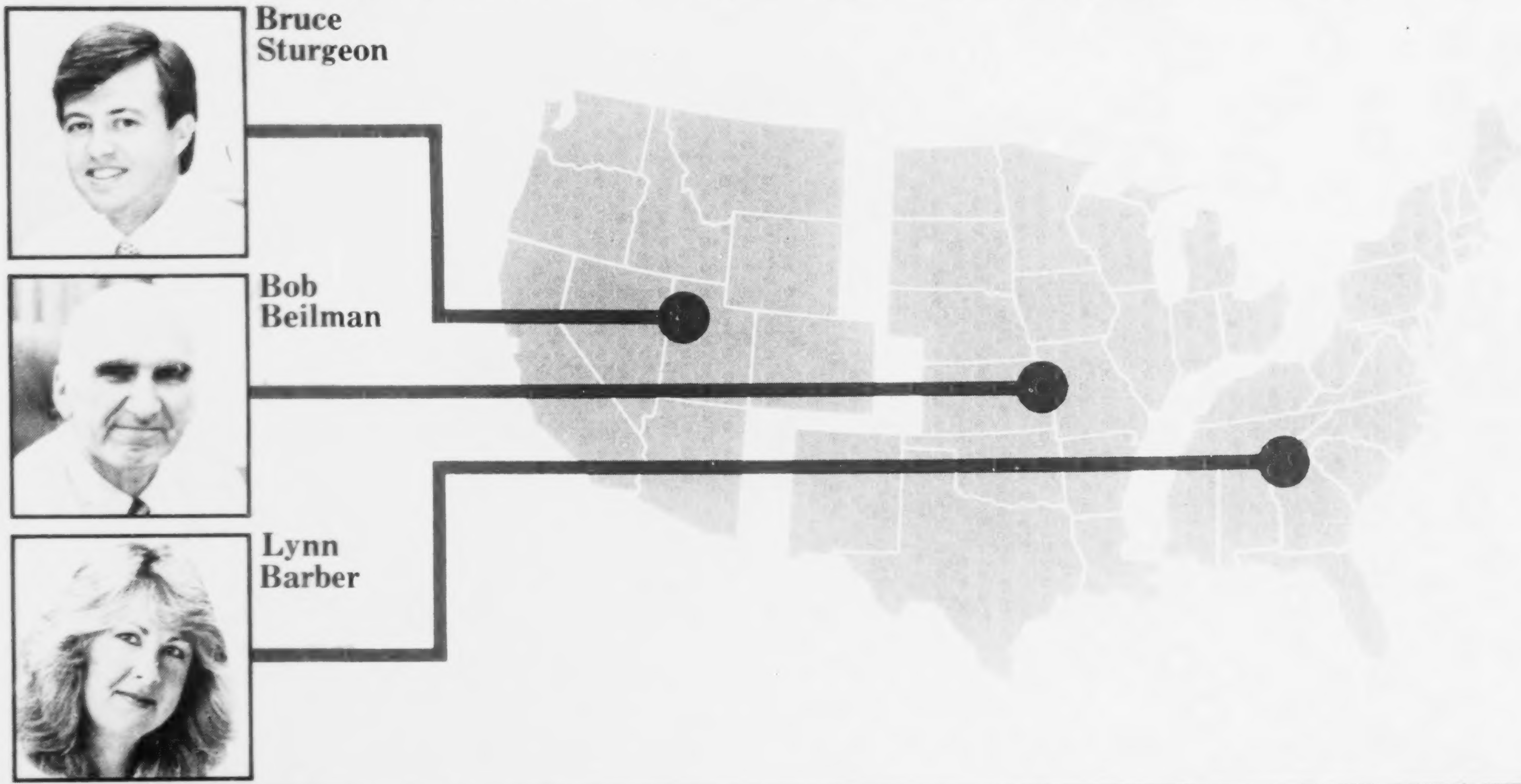

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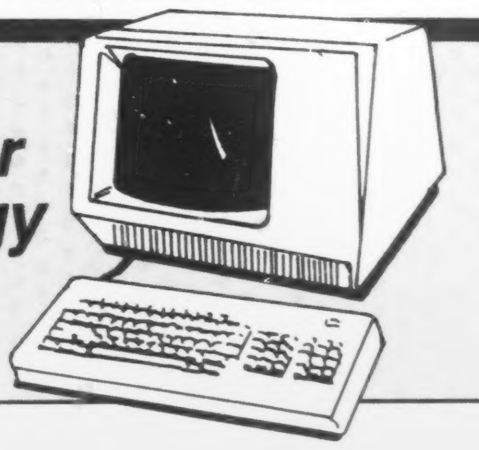
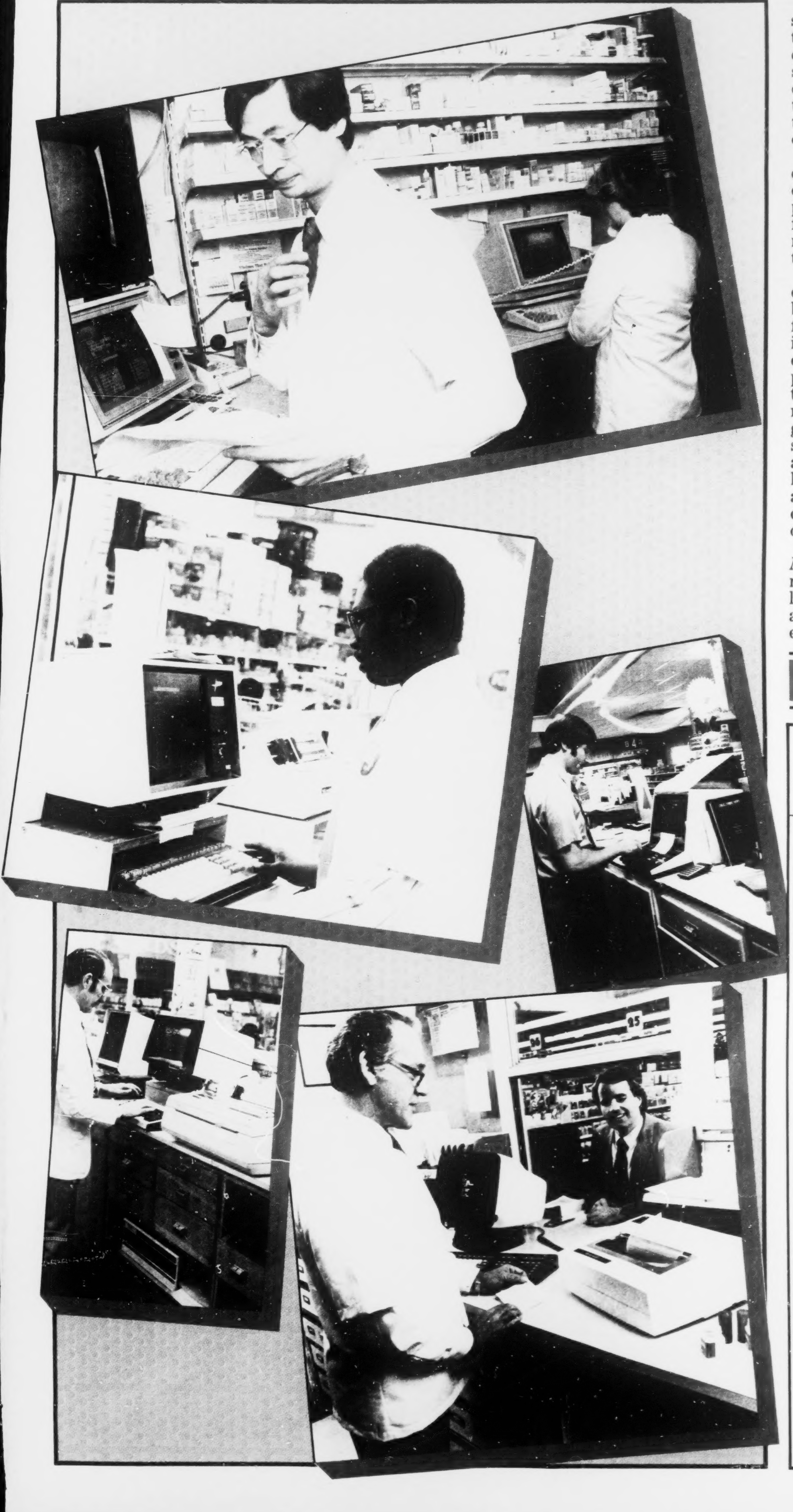


Computer Technology Survey

PHARMACY

Automated future to ease retail Rx operations



NEW YORK — The drug store industry, which is close to making the use of pharmacy computers standard in most stores, is now on the threshold of a new technology evolution: the use of in-store computers to automate the entire retail operation.

Most of the industry's major data processing information executives think that the pharmacy computer will be a fact of life in all stores that need them within the next three to five years.

Within 5 to 10 years, most data processing executives believe that the computer's functions will be expanded to include controlling the front end, monitoring individual product movement and inventory status, grinding out payroll and other accounting programs, and eventually supplying data that will lead to an entire merchandising revolution: the allocation of shelf and warehouse space based entirely on sku movement out of individual stores.

According to *Drug Store News'* first Computer Technology Survey, approximately 27% of retailers responding are engaged in some form of experimentation with in-store computer link-ups to point-of-sale terminals. Nine out of 10 said they believed that in-store computers had to be linked to the point-of-sale terminals for retailers to realize the maximum benefits from their technology investments.

More than half the respondents estimated that they would have pharmacy computers in 75% to 100% of their stores by the end of April 1986. A third indicated that they would have electronic point-of-sale terminals in 50% to 100% of their stores and that they would be integrating their computers to their front ends by the end of April 1986.

"The technology is changing so rapidly," says Bob Ramsden, vp of operating systems for Eckerd Drug, "that every day the equipment gets more cost efficient. The same amount of disc storage today costs about a fourth less than it did, say, five years ago.

"We think there are major savings to be secured from using the computer to do such things as register checkouts, mail transfers, price lookups, payrolls and scheduling, etc."

"There is no question that POS is up and coming," says

Continued on page 96

Status of Rx computers in chain drug stores

	# computerized units		% units computerized	
	1985	1986 est.	1985	1986 est.
Walgreens	1,078	1,176	98%	98%
Eckerd	550	1,100	37	69
Revco	530	800	29	40
Thrift	346	366	94	94
SupeRx	210	420	35	75
Peoples	200	350	26	41
Rite Aid	200	450	15	31
Hook	174	290	57	91
Pay Less NW	158	187	100	100
Perry	153	206	85	100
Big B	113	133	100	100
Gray Drug Fair	92	230	21	48
Medicare-Glaser	90	90	96	100
Genovese	78	86	100	100
Pay 'n Save NW*	70	71	88	87
Carl's	43	50	100	100
Standard	42	48	100	100
Welby Super Drug	37	42	100	100
Taylor	32	48	70	100
Kinney	26	28	100	100
Community Distributors	21	27	95	100
CVS	18	n.a.	5	n.a.
Harco	16	45	30	75
K & B	15	65	11	45
Bartell	15	18	57	64
Douglas	11	11	100	100
Crown	10	18	63	100
White	4	7	13	21
Dart	0	12	0	16

*Excludes Pay 'n Save stores in Hawaii and Alaska

Source: *Drug Store News*

Next revolution: fully automated drug stores

Continued from page 95

Norm Everett, vp of management information systems for Dart Drugs in Landover, Md. "A POS system would be particularly important to us because our average register sale is several items and it would improve checkout efficiency. But also we advertise about 600 items every week, so it would be a great help just to download those price changes right through the computer."

At Rite Aid, where 175 stores are already fully integrated with the front end, the chain is already realizing what Duane Ruble, sr vp of administration, calls "significant savings" from the link-up.

"The system is giving us reports by department. We can compare cashier to cashier. We are downloading price changes for ads. We're very positive about our savings to date, but we won't have our maximum savings until the whole system is up and until we have fully automated the stores.

"We have the capacity for a lot of things that we're not doing now. We feel there are more basic things to do first, so we're prioritizing the systems we put in, but down the line we'll be doing inventory control, gross profit dollar and margin analysis, ad sell throughs and so on.

"In three to five years, the POS/computer link-up will be in place with all the big guys," says Don Gross, vp of marketing and distribution for Genovese Drug Stores. "It's a necessity."

Most chain drug executives believe that the POS/in-store computer integration will spread through the industry even faster than pharmacy computers have.

Justifying cost

In the first place, the cost of the technology is falling rapidly while the efficiency of the various hardware and software systems now available is improving almost daily.

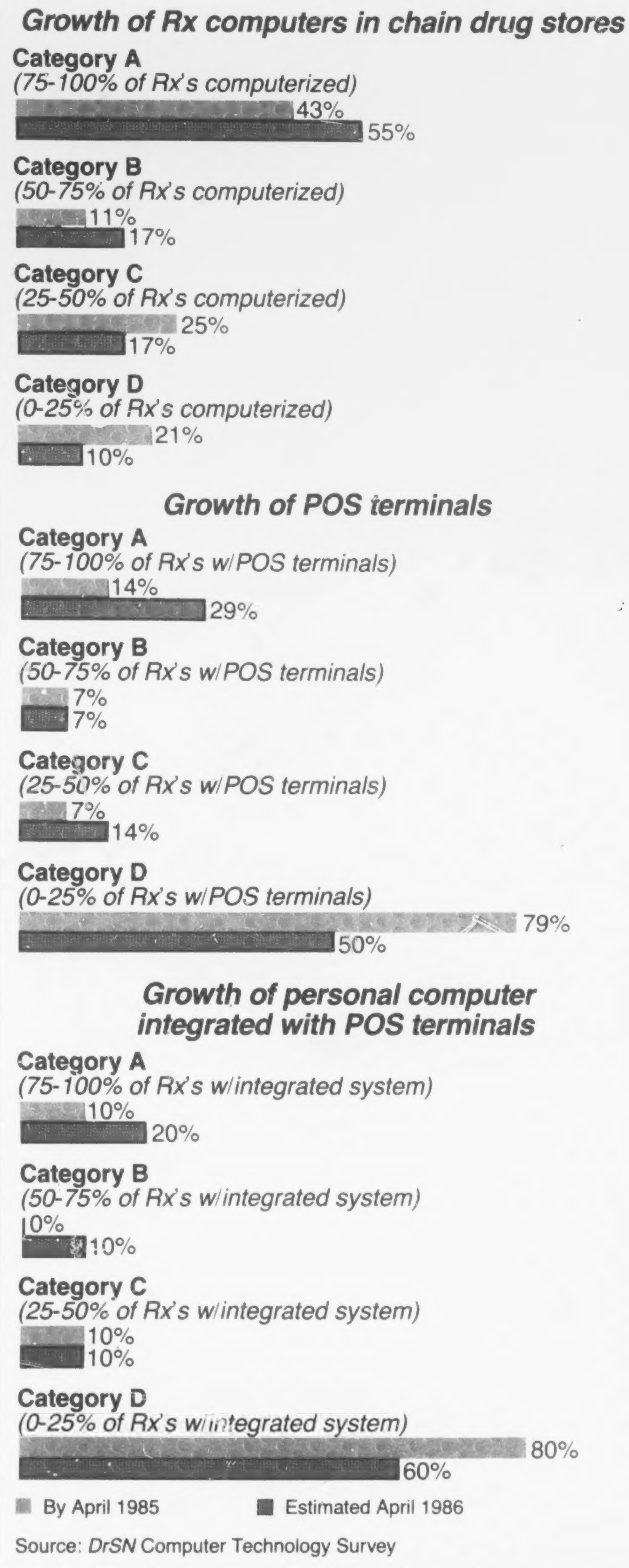
At presstime, as a matter of fact, NCR was preparing to introduce an in-store personal computer that could handle pharmacy applications as well as store and front-end management and would cost approximately $7,000. Normally such systems sell for between $20,000 and $35,000.

"Today, it probably costs the average chain about $35,000 to automate a store," says Eckerd's Ramsden, "five years ago, it would have cost $60,000 to $70,000. Today we're probably just about $10,000 away from the point where automation will be cost justifiable for just about any store doing over $2 million a year in sales."

"If it's not cost justifiable at this point, then we'll wait for prices to come down some more, but we won't know what our savings will be until we put the system up," said Bruce Waterman, asst. vp and director of management information for Hook Drug in Indiana. Waterman says that Hook will probably launch its first computer/POS test in late 1986 so the chain can begin developing the right software. "We want to be in position with our software so we can take advantage of the hardware when the price is right," he says.

Another reason to believe that the evolution will happen quickly is because most of the major chains already have various pieces of the puzzle in place within their stores. Most chains already have pharmacy computers in many, if not the majority of their stores, and

Continued on page 98



Source: *DrSN* Computer Technology Survey

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Computers update chains on price changes

Continued from page 96

many chains also have sophisticated front-end systems that are either ready now or are upgradable to computer linkups as well as scanning.

"Those who are going to go into full store automation," says Revco's vp of management information Scott Leeseberg, "will do it within the next four to five years because they'll be in position to bring all these different types of systems together in their stores.

"We're still trying to identify the savings areas from some of the systems that we know are technically feasible," he says. "We have a pretty efficient system right now for inventory control, for instance. Would it be worth it for us to change that system for one in which we start to scan every item as it comes in at store level? We don't know. We know that we're going to get good merchandising information from an automated system, but we don't know yet where all the hard dollar savings may be found."

Price update savings

Leeseberg, however, like most drug store retailers, does believe that at least part of the dollar savings will come through the immediate implementation at store level of price updates. Seventy-nine per cent of all the respondents to the *Drug Store News* survey said that price updates were "very important" to them as a main benefit from a computer/POS in-store linkage. Another 75% said efficient throughput at checkouts was also very important, while another 61% said they liked the productivity increases they felt they would realize. Another 57% said they also thought being able to analyze ad and promotional activity was also "very important."

"A POS system is particularly important in running sales," said Mac Jones, director of Management Information for Big B in Alabama. "It'll allow us to download our prices and make sure the customer always gets the right price. We think it'll also save labor. Right now we're labeling each item with sales stickers. Once the POS is up and running, we'll be able to eliminate this."

At Rite Aid where management has eliminated item pricing in most of the 175 stores with an integrated system, Duane Ruble reports that the savings are on a par with the savings reported earlier in the decade by food stores that went to scanning.

"Food stores estimate you can save 0.5% to 1% of sales," he says, "and we haven't found anything that says that's wrong. Our figures are comparable."

Continued on page 99

Drug chains linking in-store p.c.'s with epos

	4/30/85	4/30/86
Rite Aid	75	300
Eckerd	65	180
Pay Less	67	110
BigB	0	2
Kinney	0	2
Harco	0	1

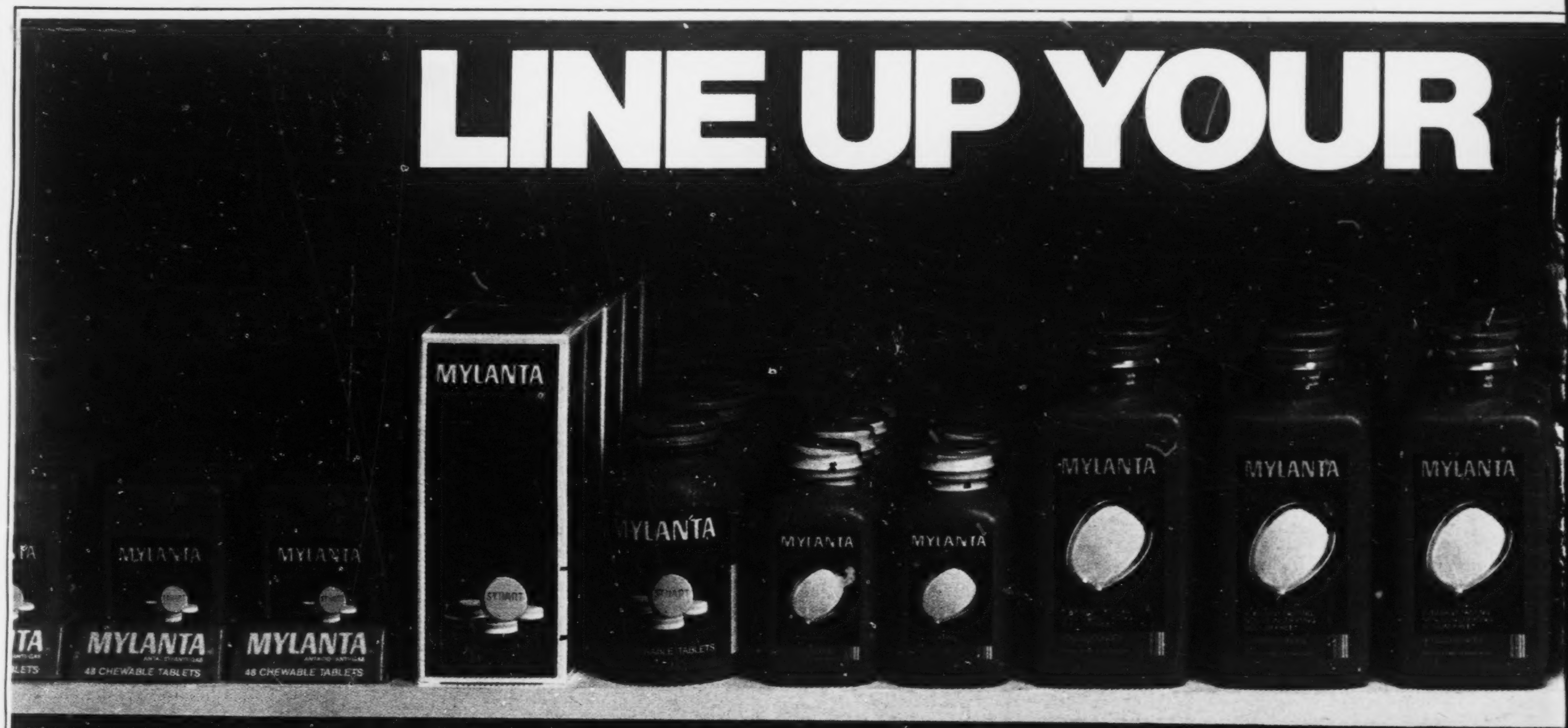
Source: *Drug Store News* Computer Technology survey

Chain drug stores equipped with POS registers

	4/30/85	4/30/86		4/30/85	4/30/86
Revco	1,295	1,950	Pay 'n Save NW	13	n.a.
Hook	303	318	Thrift	4	50
Eckerd	105	110	CVS	3	n.a.
Rite Aid	75	300	Community Distributors	2	26
Pay Less NW	67	110	Peoples	2	n.a.
Gray Drug Fair	50	100	Kinney	0	2
White	32	32	Bartell	0	2
SupeRx	25	130	Harco	0	1

n.a.—not available
*Does not include stores in Hawaii or Alaska

Source: *Drug Store News* Computer Technology survey



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5 OZ. LIQUID 40 TABLETS ONE FREE WITH 11	Up to $.50 per case of 12	$.35 per case of 12	$.25 per case	$.25 per case
180 TABLETS ONE FREE WITH 11	Up to $1.50 per case of 12	$1.00 per case of 12	$.75 per case	$.75 per case
48-TABLET CONVENIENCE PACK ONE FREE WITH 11	Up to $1.00 per counter display of 12	$.75 per counter display of 12	$.50 per counter display of 12	$.50 per counter display of 12

Also Available—up to 2% billback allowance for four-color roto advertising or consumer coupon programs.
*Through participating wholesaler. †All ads should feature both liquid *and* tablets. ‡Provided advertising coverage is in at least 75% of the applicant's trading area. §End cap, Stuart-designated display, checkout or counter display.

1985 ICI Americas Inc

Computers cut weeks off claim processing

Retailers rate their satisfaction with Rx computer applications	% ranking very important	% extremely/ very satisfied
Price Updates	100%	89%
3rd party forms	92	85
3rd party payments	80	50
Patient profiles	74	71
Side effects/adverse reactions	59	68
GM analysis	47	58
Marketing tool	45	39
Patient interactions	45	68
Drug interactions	42	53
Reducing inventory	37	32
Recruitment tool	26	45
Reducing shrink	24	39
Drug recall notices	24	21
Tracking inventory	18	32

Source: *Drug Store News* Computer Technology survey

Continued from page 98

Ruble also says there's a chance drug stores will also be able to imitate the food store industry's success in reducing shrink with scanning and store integration. Industry sources estimate that shrink control is another 0.25% to 1% savings for food stores, but Ruble has not determined yet if drug stores can duplicate this type of savings.

Rx computers

The issue of cost justification first surfaced strongly in the early 1970's when chain drug executives were actively debating whether they could ever afford pharmacy computers.

"Back in 1971 when we were talking about pharmacy computers," said one East Coast chain executive, "everybody said we were nuts and couldn't justify the cost.

"But we proved we could, not just in manpower savings, but in third party, and that's with third party just being about 30% of our business."

That same executive points out that back before the use of pharmacy computers, many chains were only scoring in the 70's in getting third-party approval on claims when they were first submitted.

"Now with pharmacy computers," he says, "we're averaging in the high 90's."

Respondents in the Computer Technology Survey overwhelmingly singled out third-party claim submissions and price updates as the most important computer benefits.

In follow-up interviews with *Drug Store News* reporters, executives said that Rx computers lopped weeks off the turnaround time between store claim submission and third-party reimbursement.

"For a chain to get third-party reimbursement," said Rite-Aid's Duane Ruble, "assume a week's delay just for the claim to move from the store through the postal system to corporate.

"Then assume maybe another week for it to go through the mail from corporate to the agency. Then assume a certain number of backlogs somewhere and assume another few weeks delay to get the information keyed in and processed.

"Now that we have the pharmacy computers in the stores, we can collect the information by phone every night. We can turn it around in a day or at most a couple of days to get the claim to the carrier.

"We can also download price changes into the stores, and that means more savings because we're able to respond to manufacturer price increases more quickly if we choose to, and we can put the increases into affect when we want.

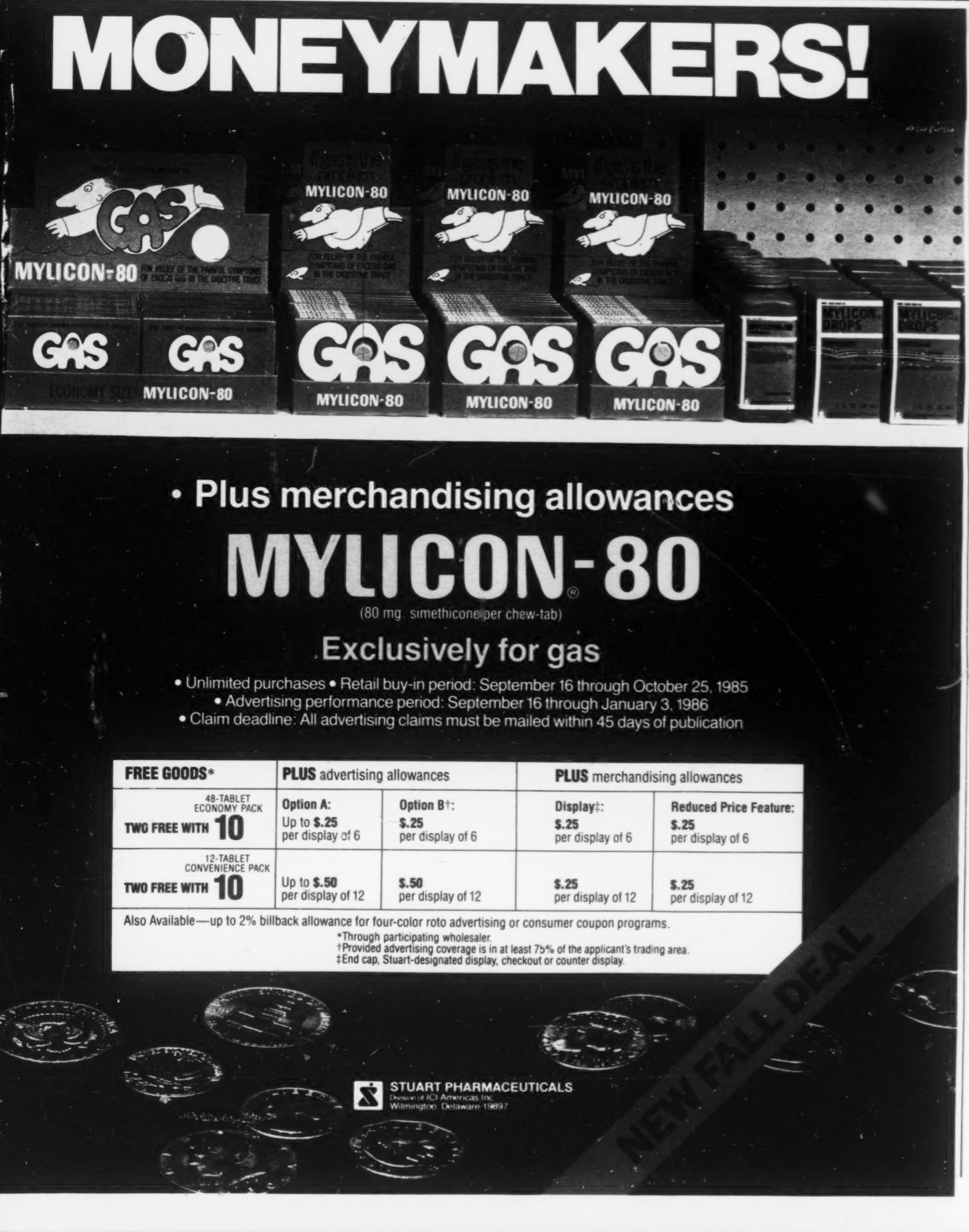
"Don't forget that the paperwork involved in manual changes is significant, so is the additional savings in time and accuracy in just changing price labels."

"We've reduced the work load for our pharmacist and for our personnel at the service center," says Hook's Bruce Waterman. "We've completely eliminated the keying in of data and that, in turn, eliminates the mistakes that inevitably occur through key punching.

"We poll the stores five times a week from the corporate offices. Then we bring the data in here, group it by carrier, then consolidate it for the carrier by all the stores we've polled, then we electronically transmit that data to the carrier.

"We get our money faster because we've eliminated keying in. The time saved could range from just a few days to a few weeks depending on how

Continued on page 101



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	Option A:	**Option B†:**	**Display‡:**	**Reduced Price Feature:**
48-TABLET ECONOMY PACK **TWO FREE WITH 10**	Up to **$.25** per display of 6	**$.25** per display of 6	**$.25** per display of 6	**$.25** per display of 6
12-TABLET CONVENIENCE PACK **TWO FREE WITH 10**	Up to **$.50** per display of 12	**$.50** per display of 12	**$.25** per display of 12	**$.25** per display of 12

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Full store automation seen in 4 to 5 years

Continued from page 99

backlogged they may be at any particular time."

Tape to tape

Both Waterman and Ruble say their goal is to go tape to tape whenever possible, "to eliminate as much paperwork coming to and from the stores and corporate as possible."

"Eventually," says Ruble, "we'll get to the point where there will be no paperwork at all involved in third-party claims. Today there are agencies, usually smaller ones, that require paperwork with doctors' signatures, but that's a small percentage of the total universe."

At Eckerd, Bob Ramsden estimates that about 50% of the company's third-party claims are submitted on computer tape. "We're working our way now down to the smaller companies on a tape-to-tape system," he says.

"It may take another five years to get everyone on it, but the trend is for companies to get more efficient, to automate their systems, so we expect that ultimately 90% of all carriers will be on tape-to-tape with us. Submitting claims electronically is just a particularly valuable function for us to have."

Neck and neck with third-party claims in terms of their perceived value to retailers are price updates. Every chain that uses pharmacy computers reported they were also using the system to notify the store management of price changes going into effect.

Chains that had stores with point-of-sale terminals hooked up to computers also reported this function as a benefit.

Other ways to use pharmacy computers

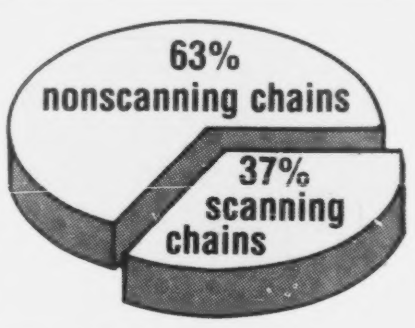
Application	%*
Labor scheduling	50%
Direct store deliveries	36
Electronic mail	36
Automatic reordering	14
Integration with pos terminals	14
Tracking customer counts	11
Tracking per hour transactions	11
Analyzing promo effectiveness	8
Tracking product movement at department level	8
Tracking product movement at item level	3
Environmental controls (heat, light, etc.)	3

*% of retailers using application (base = respondents who use Rx computers for nonpharmacy applications)
Source: *Drug Store News* 1985 Computer Technology survey

At Rite-Aid, Duane Ruble describes how the price updating system works:

"At corporate we assign a bulletin with a number to each store. Maybe we're sending a price change notice. The store system accepts that and waits for the manager to act on the notice. But before acting, he or she first has to change the shelf price labels so the manager puts the new shelf label paper in the printer and the computer generates the new shelf labels on the spot.

"Then after the labels are put up on the shelf, the manager tells the computer to dump the new prices into the file. The act of dumping sets up a message back at corporate. The computer flashes something like 'Bulletin 351 has been completed' and we know the price changes have gone into effect."



Source: *Drug Store News* Computer Technology Survey

Scanning

Rite-Aid is also one of the few drug chains to move boldly forward into scanning. While other companies report that they are still trying to determine if scanning is "cost justifiable" for their particular

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Computers: Can one system handle it all?

Continued from page 101

store operations, Rite-Aid is fully committed to the concept and is currently scanning in all 175 of its integrated stores.

To maximize their savings from scanning, Rite-Aid has also stopped individual price marking items in most of their 175 scanning stores and will continue to eliminate item pricing as they go along. Ruble says it takes from two to four weeks after scanning is on line to reach the point where item pricing can be eliminated. He also reports that price elimination has had no ill effects on customers.

"We've had no problems with customers over the elimination of item price marking," says Ruble.

Rite-Aid, however, has an advantage over many other drug chains. The merchandise mix in a Rite-Aid store is heavily health & beauty aids with very little sundries, general merchandise or imported goods.

Universe of scanning in chain drug stores

	Number of stores scanning	
	4/30/85	4/30/86
Rite Aid	75	300
Pay 'n Save	13	n.a.
Hook	5	5
Thrift	4	50
Revco	3	4
CVS	3	n.a.
Community Distributors	3	n.a.
Peoples	2	n.a.
Eckerd	1	10
Gray/Drug Fair	1	n.a.
SupeRx	0	3
Kinney	0	2
Big B	0	2
Harco	0	1
Bartell	0	1
Dart	0	1

n.a.—not available
Source: *Drug Store News* Computer Technology survey

Features rated most important by retailers using scanning

Feature	Very Important	Somewhat Important	Not Important
Cost savings from eliminating item price marking	71%	29%	—
Cost savings from gathering product movement data	67	29	4
Cost savings from improved throughput	57	43	—
Cost savings from improved labor scheduling	48	38	14

Source: *Drug Store News* 1985 Computer Technology survey

Ruble reports that between 90% and 95% of what is sold in Rite-Aid stores is UPC coded. The high percentage of UPC coded items in the Rite-Aid mix makes it easier for Rite-Aid to build and maintain a master price file that is not complicated with exceptions for non-UPC coded items.

In stores like Eckerd or Revco or SupeRx with a more eclectic mix of products, the problem of non-UPC coded items is more serious and raises strategic questions about the current cost effectiveness of scanning.

At Eckerd where between 30% and 35% of all the items in the store are *not* UPC coded, Bob Ramsden has some hesitations about scanning at this point in time.

"People sometimes say why don't you just go and put the system in effect now if about 65% or 70% of the products in your store are UPC coded.

"Well, it is never good to have two different systems in effect at once because it causes confusions and problems. Suppose I had a cashier who had an item in her hand that wouldn't scan. After trying to scan it a couple of times, she'd have to try to remember the alternative procedure for keying in the product item number. Now meanwhile she has a customer on her hands impatient to get out of the store and she's been told her first priority is to give that customer service.

"So if she has an escape key, she'd probably push it and make the sale manually. Now when data processing gets the information back from her register, they'd see a flag on the escape key and they've probably spent more time trying to figure out what the problem was then I saved by having put scanning in.

"It might also lead to errors and inaccuracies. So I want to have the number of UPC coded items in my stores about 90% to 92% or thereabouts before I start scanning."

Scanning skepticism

At Revco, where a proposed one-store scanning test has again been postponed, Management Information Systems vp Scott Leeseberg has similar reservations.

"We're not sure all drug stores should go to scanning," he says. "The benefits the food stores got the most were from learning about their business in terms of product movement and improving their throughput at the front end. But we have good controls on our movement from the warehouse and we don't handle as many items per sale through the front end as food stores do."

There may be benefits from scanning, says SupeRx's Jim Sinclair, director of accounting, "but we need to recognize the costs vs. the value of the information."

System integration

With 27% of respondents reporting that they were linking at least some in-store personal computers to front ends and with 88% saying they believed such links were necessary for stores to recognize maximum benefits, the question becomes how many in-store computers does a typical drug store need and can the computer that runs the pharmacy department also run the front end.

Among the chains in the survey who were already linking pc's to front ends or planning to make the linkage by April 1986, 22% were testing both types of systems: pharmacy computers in some stores linked to the front end and separate nonpharmacy computers in other stores linked to the front end; another 33% each were using either the pharmacy computer exclusively or two separate in-store computers, respectively, and the rest still hadn't decided what approach they would follow in 1986.

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DRUG STORE NEWS®

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Management takes control of Jack Eckerd

$1.2 billion leveraged buyout

By Marjorie Shaffer

CLEARWATER, Fla. — Jack Eckerd Corp., the nation's second largest drug chain, has agreed to be purchased by an investment group that includes 25 members of the company's management and 32,000 employees.

The leveraged buyout, valued at $1.2 billion, is the largest in the history of the chain drug industry.

"This is a real opportunity for us," said Mike Zagorac Jr., vp of public affairs, and one of the Eckerd managers involved in the buyout. "It's a real plus and with the uncertainty behind us, we'll get management focused back on our business. It should help too that from now on everybody will be working for themselves."

The buyout follows Eckerd's announcement earlier in the fall that the 1,500-store chain was up for sale, a development that many observers felt was spurred by a dramatic earnings slide for the fiscal year and a jolt administered by the Dart Group, which had tried a potentially hostile takeover of the company.

Eckerd had been put on the block to "remove the speculation and uncertainty surrounding the company's future," according to Stewart Turley, chairman of the board and president.

The investment group negotiating the megabuck buyout is organized by Merrill Lynch Capital Partners. Under the deal, shareholders will receive $28 in cash for each share of common stock plus a subordinated debenture valued at $5 a share. Altogether, based on 36 million shares outstanding, a price of $33 per share, and existing debt assumed in the merger, Eckerd

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Marc Dworkin named pres. of Carls drug

By Liz Parks

CLEVELAND — Marc Dworkin, Revco's executive vp of marketing and operations, has been named president of Revco's recently acquired Carls Drug chain headquartered in Syracuse, N.Y.

Dworkin will retain his executive vice presidency as well as his corporate duties, but will exchange his marketing hat with Neil Roth, Carls' former president. Roth now assumes responsibilities for both purchasing and marketing at Revco.

Susan Schmierer, an analyst with L. F. Rothschild, interpreted Dworkin's promotion as "a chance to get the hands-on experience Marc will need if he's ever going to run Revco."

Dworkin, who recently became the first-time father of a son, Bradley, and is building a new home in Cleveland, said he will divide his time between his new office in Syracuse and his old office in Cleveland.

Both Dworkin, who has worked at Revco in one capacity or another since childhood, and Bill Edwards, Revco's president, described the promotion as an "exciting opportunity."

"My main mission," said Dworkin, "will be to expand

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REX Award winners

J. Roger Friedman, president of Lebhar-Friedman (far left) presents *Drug Store News'* REX Chain of the Year Award to Fred F. Canning, president of the Walgreen Co.; Joe Polastri, president of McKesson Drug (near right), accepts REX wholesaler of the Year Award from editor Liz Parks, and Jay Forbes, publisher (below left), congratulates Walgreens senior vp Vern Brunner for being chosen REX Merchandiser of the Year. Story page 2.

Walgreen first chain to clear $3B sales hurdle

DEERFIELD, Ill. — The Walgreen Co. broke the $3 billion sales barrier in fiscal 1985, becoming the first pure drug chain to reach that milestone.

Sales for the year ended Aug. 31 hit $3.16 billion, a 15.2% increase over the $2.74 billion rung up in fiscal 1984.

At the same time, Walgreens also maintained its strong profit growth record. While the earnings of other drug chains faltered, Walgreens drove up net income by 10.2% to $94.2 million from $85.4 million in 1984. Last year's results included a gain of $3.6 million on the sale of the company's Mexican operations.

Earnings per share were $1.53 vs. $1.39 last year.

Despite the strong performance, chairman Charles R. Walgreen III managed to convey a hint of apology in describing why earnings were not higher.

He noted that profits were affected by an accelerated store opening schedule—106 stores vs. 72 in fiscal 1984.

"This quickened pace affects near-term profits," he said. "But it also means we're building our business. It gives us stronger market penetration and economies, and positions us for long-term growth. It indicates we're optimistic about the strength and future of drug stores."

Market penetration and economies of scale have been two of the main keys to Walgreens' phenomenal success in recent years. The chain's overall strategy has been to achieve No. 1 or No. 2 status in every market entered.

Walgreens also reported that fourth-quarter sales increased 13.8% to $778.8 mil-

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Deep discounting: 3% of industry sales

Special feature

The following is the first of a series of stories on the growth and development of the deep-discount phenomenon. In this series, Drug Store News *will look at the problems of finding the right locations, coping with competition and the future of deep discounting.*

NEW YORK — Two years after the chain drug industry discovered the lucrative potential of deep-discount drug stores, that segment of the industry is still "sprouting," but today prospects for growth are a bit more speculative, and sources say there could soon be as many "shake-outs" in this segment as there are sprouters.

Most analysts put the segment's current size at approximately 300 stores and some $2 billion in sales. On the basis of its own surveys, *Drug Store News* agrees with the store count, but its research indicates that total dollar volume today may be closer to $1.5 billion, or about 3% of total drug store industry sales.

The research also indicates that more than 90% of all deep-discount drug stores are operated by established chain retailers, including about 30 major food, drug and mass-merchandise chains as well as the industry's two largest "pure" deep-discount drug store chains, F & M in Detroit and Drug Emporium in Columbus, Ohio.

The rest of the stores in this segment are operated by high-volume independents including particularly successful entrepreneurs like Marc

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Pay Less moves into Calif.

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